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West Europe Report

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2 February 1984

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POLL FINDS THAT MAJORITY OPPOSES NATO MISSILE DEPLOYMENT

Oslo ARBEIDERBLADET in Norwegian 28 Dec 83 p 9

[Article by Steinar Slagstad]

[Text] No, NATO should not deploy new nuclear missiles in Western Europe. This was stated by a majority of the respondents in an opinion poll taken by Scan-Fact for A-PRESSEN [Labor Party press service] in December. Deployment was supported by 33 percent, 42 percent said no, and 25 percent did not know.

It was the large no-vote among women that made the difference. Among men who expressed an opinion, there were more supporters than opponents of the new missiles.

The difference of opinion between men and women was unusually large. Only 19 percent of the women respondents supported the new NATO missiles, while 46 percent of the men responded favorable. Deployment was opposed by 45 percent of the women and 38 percent of the men. Sixteen percent of the men and 35 percent of the women said they were undecided.

Opposition was greatest among SV (Socialist Left Party), Liberal Party, and Labor Party voters, while support was greatest (61 percent) among the Conservative and Progressive Parties. Half the voters from the Christian People's Party were undecided.

The responses also were categorized according to the marital status of the more than 1,000 respondents. It was determined that people living together were more inclined to reject the missiles than married people. About 40 percent of those who consider themselves Christians opposed the missiles, while the corresponding figure among nonbelievers was 52 percent.

Two similar opinion polls were commissioned by A-PRESSEN previously this year, but they were conducted by a different opinion institute. The positive responses were in close agreement with the previous polls, but there were considerably fewer negative responses, while the undecided category increased. This may be due, in part, to different interviewing techniques used by the two institutes.

DEFENSE MINISTER SJAASTAD DEFENDS NATO ARMS CUT PROPOSALS

Oslo AFTENPOSTEN in Norwegian 6 Jan 84 p 44

[Article: "NATO Measures Played Down"]

[Text] "It must be incomprehensible to many people that every time NATO makes unilateral nuclear arms reductions it is considered a perfectly natural step instead of an extremely positive measure that should serve as an example to others." This was stated by Defense Minister Anders C. Sjaastad in an interview with NTB (NORSK TELEGRAMBYRA). Sjaastad said he had seen many positive reactions to NATO's decision in the fall of 1983 to make a unilateral withdrawal of 1,400 nuclear warheads from Western Europe.

"But many are doing their best to play down the disarmament measures initiated by NATO, while they are quick to point out that NATO demands are unreasonable," Sjaastad said. He said that the missile debate had caused many well-meaning people to back the Soviet negotiating position because they had encouraged NATO at all times to reach agreements for which the Soviet Union has demonstrated no interest.

But the defense minister found reason to commend the peace movement for the manner in which the movement had acted. "The recent political debate we have had in the Western countries is a credit to the democracies," Sjaastad said. He also stated that it was possible to live with the disagreement that exists.

"I believe the peace movement has acted in a responsible manner. It has concentrated on peaceful demonstrations and has not been tempted to use violence," the defense minister stated.

Split

Sjaastad said there had never been greater support for our NATO membership and for our own defense.

"In Norway we apparently have less of the disunity over security and defense policy that we see in many other Western European countries, where opposition to NATO's dual decision automatically means opposition to NATO membership and to everything for which the alliance stands," Sjaastad said.

He stressed that the debate over the military budget for 1984 had shown broad unity over the main features of the budget, with regard to both the Norwegian military and our position within the alliance.

"But the security policy debate that took place last year showed us clearly that the Labor Party has abandoned its desire to postpone discussion of the dual decision and has decided, instead, to reject the basic principles of this decision," the defense minister pointed out. He added that there had been some serious confrontations during the fall.

Sjaastad pointed out further that there was a strong desire within both the government and the opposition to avoid making the missiles the central issue in the Norwegian security policy debate. "But of course we will see how much unity there really is when parliament discusses long-range military planning this fall," the defense minister said.

Geneva Negotiations

Defense Minister Sjaastad pointed out that the lack of support for the dual decision that has been apparent in parts of Western public opinion may have helped reduce the need of the Soviet Union for serious negotiations in Geneva. "It has been too tempting for the Soviet leaders to play to the gallery," said Sjaastad, who hoped that the Soviet Union would see that reopening the dialog was in its interest, now that the Western governments have reaffirmed the dual decision.

"Norway has stressed on many occasions that, parallel to the concrete disarmament negotiations, it also is important to strengthen the East-West dialog in general," Sjaastad said. He hoped there would not be many proposals in parliament intended solely to increase the split. "We saw this in connection with the missile debate. I do not believe this is in the interest of our country or that it will promote a more constructive dialog with the Soviet Union."

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CSO: 3639/54

LATEST POLL FINDS POPULATION SPLIT ON MISSILE DEPLOYMENT

Oslo AFTENPOSTEN in Norwegian 6 Jan 84 p 5

[Article by Bjorn Balstad]

[Text] Votes in parliament for and against the dual decision have been decided by a one-vote margin in favor of the dual decision. This is a relatively accurate reflection of public opinion. An opinion poll taken last November showed that 46 percent were for and 44 percent were against the dual decision.

These were the results of the following question, which was first asked in January of last year: "According to the dual decision, which was unanimously approved by NATO in December 1979, NATO should modernize its nuclear forces, but without increasing its total number of nuclear weapons in Europe. Deployment of the modern nuclear weapons by NATO, however, should occur only if the Soviet Union would not agree during negotiations to reduce its nuclear forces aimed at targets in Western Europe. Are you for or against this dual decision?"

The results were as follows:

	1983	
	January, %	November, %
For	48	46
Against	39	44
Undecided	13	10
Total	100	100

Many results have been published by various sources on the dual decision and portions of it--apparently with totally different results. But these results are not as confusing as it may seem. In many surveys the respondents are asked to express their opinion not on the dual decision, but on portions of it. People are asked, for example, whether they are for or against the deployment of missiles. But this is a typically unbalanced survey. Who is not against deployment if it can be avoided? Actually, it is strange that the responses are not 100 percent against deployment. But the few percent who answered that they supported deployment probably were thinking about the consequences, the

negotiating aspect of NATO's dual decision, the possibility of pressuring the other side, and similar considerations. But the results of such partial surveys have been interpreted as being our position on NATO's dual decision, which is totally misleading.

The question quoted above, on the other hand, makes an effort to present a balanced statement of NATO's dual decision, in that it includes both aspects of the decision. The results show that the people are divided into two groups of about the same size. The two camps became even more equal during 1983 than they were at the beginning of the year, when supporters held a slight majority.

Older people and people living in sparsely populated areas have changed their opinion on the dual decision more than other groups. The elderly have become stronger opponents, while people in sparsely populated areas now support the dual decision more than previously. The picture according to party affiliation has remained relatively stable.

		For, %	Against, %
Age:			
Under 30	Jan	43	45
	Nov	48	45
30 to 59	Jan	50	37
	Nov	49	40
60 and over	Jan	52	33
	Nov	37	49
Location:			
Oslo/Bergen/Trondheim	Jan	53	39
	Nov	49	44
Other town/populated area	Jan	48	38
	Nov	40	49
Sparsely populated areas	Jan	42	40
	Nov	53	34
Political affiliation:			
Labor Party	Jan	35	46
	Nov	34	56
Progressive Party	Jan	59	31
	Nov	68	27
Conservative Party	Jan	77	16
	Nov	72	18
Christian People's Party	Jan	44	41
	Nov	50	37
Center Party	Jan	57	34
	Nov	53	33
Socialist Left Party	Jan	17	80
	Nov	9	88
Liberal Party	Jan	35	65
	Nov	34	57

DEFENSE MINISTER: OIL FIELDS POSSIBLE TERRORIST TARGETS

Copenhagen BERLINGSKE TIDENDE in Danish 31 Dec 83 p 48

[Article by Vagn Petersen: "Danish Oil and Gas Fields Are Open Terrorist Targets"]

[Text] Danish oil and gas fields in the North Sea are totally defenseless against terror and sabotage. And the authorities' security measures appear to be inadequate.

Terrorists could without much difficulty board a Danish drilling platform without the authorities being able to send special units against the terrorists. Compared with England and Norway, Danish authorities have not trained special troops which could be sent in to neutralize a possible terrorist attack.

While other important energy installations, as for example electric power plants, are classified as "key points" with detailed plans to move against and fight possible terrorists, the oil and gas installations are apparently defenseless. It is now causing concern in broad political circles that terrorists could attack these vital targets practically unopposed.

Terrorist Danger Is Clear

Defense Minister Hans Engell (Conservative) confirms that there are no plans which are exclusively designed to oppose a crisis situation of one kind or another at the oil and gas fields. But the minister emphasized that he regarded the issue as being very serious.

Hans Engell denied, however, that the oil and natural gas fields are entirely defenseless. The defense minister said that in defense planning our oil and gas installations in the North Sea have been taken into account.

He did not want to go into greater detail about this planning. "We are speaking about classified (secret) material," said the minister.

If there are indeed defense plans for this vulnerable area in the North Sea, the secret is well kept. Neither of the operators--Dansk Borieselskab

and Dansk Undergrunds Consortium--have ever heard of any special plans, and nowhere in the defense establishment do they know of people who are specially trained to operate under difficult conditions on a platform in the open sea.

The former Minister of Energy Poul Nielson (Social Democrat) was surprised that the oil and gas installations are not classified as key points, when all other important energy installations are.

Recommend Special Unit

"I strongly recommend that a special unit be created with people who are trained to operate in the special environment of a platform," said Poul Nielson.

"Should a terror attack take place in which hostages are taken on a platform, it is absolutely necessary that the people who are sent on a rescue mission know how such a platform is put together, and how the individual valves function."

Poul Nielson would not say whether it should be commando troops or a special frogman corps under the navy. He said that the first step should be to create a crisis group consisting of representatives for the operators and the national authorities who supervise the oil and gas fields. Thereafter it must be up to the ministers of defense and energy to train the personnel that the crisis group would need to carry out the task.

At A. P. Moller the vice chief of information, Henrik Uhre-Prahl, stated that the company had never been drawn into arrangements for protection against sabotage and terrorism.

"And as long as we do not know what it means to be a 'key point' it is difficult for us to say whether that is a good solution," said Henrik Uhre-Prahl.

So far Denmark has not received any threats of terror or sabotage against the oil and gas fields.

Fear of IRA Attack

In the English part of the North Sea they are more sensitive to possible terrorist actions. Fear of actions by the Irish underground army, IRA, is always present, and when a drilling platform a couple of years ago reported unknown frogmen in the vicinity of the platform, an immediate alarm was sounded. Everyone breathed easier when it proved to be peaceful divers.

A mysterious freight shipment to an oilfield also caused panic, but the fear of a concealed giant bomb turned out to be groundless.

Norway also has a special military group who are experts in handling a crisis situation on a platform. The group has not been in direct action. The closest was when a professional drug dealer sneaked on board a large rig to sell drugs to the workers. He was caught without difficulty.

SPOE'S JANKOWITSCH ON SOCIALIST INTERNATIONAL, PARTY ROLE

Vienna ARBEITER-ZEITUNG in German 17 Dec 83 p 5

[Interview with Dr Peter Jankowitsch, International Secretary of the SPOe (Austrian Socialist Party), by Georg Hoffmann-Ostenhof, ARBEITER-ZEITUNG ('AZ')]: "Western Selfishness Is Ruining the Economy"]

[Text] Dr Peter Jankowitsch recently became the SPOe's International Secretary, succeeding Professor Walter Hacker in that job. Rookie delegate Jankowitsch has a great deal of diplomatic experience: the former chief of the Kreisky cabinet is still frequently addressed as a UN Ambassador. In that function he became the first Austrian to serve as president of the UN Security Council. Jankowitsch continues to serve as a member of the UN Space Committee. Prior to returning to Vienna as Deputy State Secretary of the Ministry for Foreign Affairs, he represented Austria in the Vienna office of the OECD.

AZ: We are talking about two entirely different activities: diplomacy, in which you were engaged until recently, which operates at the national level, and the activity as secretary of a socialist party. How do you feel about that?

Jankowitsch: Well, to begin with, you might say that modern diplomacy, which is what I was involved in, is very political. Political not in the sense that you represent a party viewpoint. But the things diplomats are accused of, being overly careful, being super cool, talking around a problem rather than coming out with it--those things don't really exist any more in modern conference diplomacy.

AZ: Agreed; but you are dealing with an entirely different point of reference.

Jankowitsch: Of course there is a difference. As ambassador to the UN you represent all of Austria, while as international secretary of the Austrian Workers' Party [SPOe] you are primarily a representative of the workers' movement; no doubt about that. But in my experience, the differences are not all that great. We are functioning within the Socialist International (SI).

I like to call the SI "the United Nations of democratic socialism." This pinpoints one of the international secretary's essential duties, which is significant because the SPOe is a "big power" in the International. Why is that so? In the International, the relative weight of the parties is not so much determined by their origin, by the size of their country, but rather by the number of their members. And in that respect the SPOe is near the top.

AZ: Isn't it true that just now the International is facing a particularly difficult situation? I am referring on the one hand to the Israeli workers' party, on the other to the Lebanese member organization led by Junblatt. Then there are the differences of opinion between the French socialists and the SPD on the NATO missile question.

Jankowitsch: That of course means that forming an opinion has become more difficult on some questions within the International. It has never been easy, as for instance on the Middle East problem; there, the Austrian party always came up with a position which was adopted by the others much later. As for instance the position that the Palestinian problem is a very important one. And in the Near East situation for example, we have no problems because there has been no change in our position. We continue to feel that the Palestinian issue is crucial. We consider it a sign of progress that the Lebanese Socialist People's Party is today not just another party in the Near East conflict, but a member of the International; the more parties of this kind are in the international, the more opportunities there are for conducting a dialogue. We have also expressed the opinion, among others, that it wouldn't be a bad idea if the PLO had an observer function.

AZ: And how about the arms buildup in Europe?

Jankowitsch: There is no doubt in my mind that among the parties in the International there is today a lower common denominator on the question of the European arms buildup. However, I believe that by next year, when the wisdom or the failure of today's Western strategy becomes clear, there will be a higher common denominator. Because it will simply become quite clear that the deployment of missiles in Western Germany, which will then be countered by reciprocal deployment in the GDR and CSSR, will do nothing to improve the situation. And at that time the two groups whose opinions are today clashing within the SI, will have to start thinking about how to go about putting an end to all that.

AZ: What is your impression of the duties of the SPOe's international secretariat?

Jankowitsch: The international secretary and the international secretariat must exert their influence in forming the party's foreign policy stance. Today for instance there is great sensitivity about Central America within the party. But this must not be restricted to Nicaragua; the party must have a firm position on certain foreign policy questions which will of course frequently be compatible with the position of the federal government. For example, relations between Austria and the Third World--how do we stand on this? What other questions are there...Today, for instance, racism is raising its ugly head in Europe. It is quite pronounced in France, pretty

much a result of the leftwing government's setbacks. We don't have that particular problem in Austria, since there are fewer foreign workers here. But we have a conservative wave, which is still going strong. And this in turn generates a certain amount of xenophobia and chauvinism. A socialist party must take timely measures to combat such phenomena.

Secondly, Western economic selfishness, which today is particularly pronounced, spells ruin for the world economy. Kreisky has always said, and justifiably so, that the high oil prices are no catastrophe because they cause a slight redistribution of the international wealth. Not that we don't have second thoughts about the "oil sheikhs." But such thoughts as justifiable prices in international trade not being detrimental to us but rather of benefit to us in the long run--those are ideas which we must not lose sight of. Or, the question of arms exports. Is that, in the long run, a lucrative means of promoting Austrian industry or providing job security? It has been proven that this is a risky business.

AZ: Also the most insecure?

Jankowitsch: Also the most insecure. When Heinz Fischer recently visited Argentina he found that the tanks which we had sold there still haven't been paid for. It wasn't really that good a deal.

AZ: You are then starting your job at a relatively difficult time. You have already mentioned the international tendency toward nationalism...is there a way to combat it?

Jankowitsch: Something must be done about it, for sure. Chauvinism is on the rise. No one is safe from it. The Socialist International was killed by it once before. To be sure, there is no world war yet, but we are faced with protectionism--another way for chauvinism to manifest itself. I agree--there are a lot of problems.

9273

CSO: 3620/121

ASSESSMENT, PROSPECTS OF COALITION GOVERNMENT

Zurich NEUE ZUERCHER ZEITUNG in German 30 Dec 83 p 4

/Article by 'R. St.': "Kreisky's Difficult Legacy--The Sinowatz Government
7 Months Later"

/Text/ Vienna, December--In one of his recent press interviews, which have been increasingly less frequent, former federal chancellor Kreisky gave moderate praise to the Austrian Socialist-Freedom Party coalition. Kreisky was the creator of that government coalition; from the early days of his own administration he had been working on a rapprochement between the SPOe /Austrian Socialist Party/ and the FPÖe /Austrian Freedom Party/. In this endeavor, he had found a willing partner in former FPÖe chief Peter, who had been humiliated by the OeVP /Austrian People's Party/ by being ignored at a crucial moment in the early 1970's. There is then nothing remarkable in the fact that Kreisky is coming to the defense of this delicate plant, which he had nurtured carefully for the day when he would lose the absolute majority.

Nostalgic Memories of the Grand Coalition

If you can believe public opinion polls however, the population views the new government with great skepticism. The idea of a small coalition, the likes of which had not been seen since 1945, was not greeted with much enthusiasm from the very beginning. A surprisingly large number of Austrians, at least a relative majority of them, remained in favor of a grand coalition through the years--of that government pact which the OeVP and SPOe often struggled to maintain until 1966. A sort of grand coalition still exists in the "social partnership" which fulfills an important function in the coordination of the economic entities. The FPÖe has little influence in this respect, since the economic and agricultural councils are predominantly influenced by the OeVP, the labor council and trade unions by the SPOe. Many people seem to wonder why, if the large parties can cooperate in the multipartisan commission, they cannot be partners in the political sector also.

To the Austrians, a small coalition was something new and unfamiliar to begin with. However, 6 months later the number of people in favor of it had somewhat increased. According to public opinion, cooperation among the nonsocialist parties is even worse than the present coalition. In the overall view, one might wonder whether the Austrians are not generally inclined to favoring the

widest possible distribution of governmental responsibility, possibly even a proportionally constituted government, since they would sense an equality of forces in such a set up. They would go along with single-party rule in cases where a truly outstanding leadership were available.

Dissatisfaction with the present government is not primarily directed against its party-political composition, nor is the selection of personalities which occupy the various ministerial posts in the foreground of unhappiness. The latter is based on the coalition government's policy of tax increases starting in 1984 and the threatened loss of affluence. The subject of job security had for many years had absolute primacy among political objectives, and the majority felt that this task was in good hands with the Socialists. Since 1980 two other subjects have attained similarly great significance in the eyes of the population: environmental protection and the fight against government waste. The OeVP has made a particular issue of the latter, and it is considered to be more competent in this respect. Simultaneously, there is increasing doubt as to whether socialist deficit policies for the sake of job security were appropriate under all circumstances.

Dissatisfaction

The recent election in Lower Austria, where more than one-fifth of all voters are concentrated, had all the earmarks of a protest vote. The SPÖ suffered a loss of nine percent of its voters among industrial workers; about one-half of that group voted for the political adversary, the OeVP. Such a pronounced change of voter sentiment had not been seen in Austria since 1969/70. Whether this indicates temporary dissatisfaction or whether the pendulum is indeed swinging the other way will become more readily apparent after the Labor Council elections in early 1984.

It was easy to predict that Kreisky would be a tough act to follow. In the eye of the public, the ex-chancellor was on top of political events to a much greater extent than was actually the case in making individual decisions. Being an intelligent and highly educated man and one who had a good appreciation of the things which really matter, he was not satisfied with merely projecting the image of a master politician, but used seemingly improvised statements to take a stand on a variety of human concerns. His statements on a general overview of the world situation benefited from the lifetime experience of a man whose youth had been marked by the crisis of the 1930's. No one could hope to be his equal in that respect; Federal Chancellor Sinowatz declared as soon as he was inaugurated that he would not try to emulate his predecessor.

The Price of Sobering Up

But Sinowatz is also forced to pay the price for sobering up from the era whose shadowy aspects are only now becoming apparent to many. Kreisky is being judged more coolly now than he was 1 year ago; even though he is still recognized as an outstanding individual, his economic policies come in for special criticism. The view that Austrian problems are merely a reflection of a worldwide economic crisis situation does not seem to hold water any more. Taxes on interest, an increase in the value-added tax and significant raises in public service fees

cause insecurity. Even a majority of socialist voters believe that tax increases could have been avoided by curbing public expenditures. In view of the national budget deficit of nearly 100 billion schilling, most Austrians believe that taxes will be raised some more next year.

During the first 7 months of his rule, Sinowatz has proven to be a resourceful man. He quickly came up to speed on many different issues and is knowledgeable on a wide variety of questions, including foreign policy. Those who considered him to be a crypto-Marxist have been proven wrong so far. The man from Burgenland province with the "wide ranging personality" is a pragmatist, either by nature or by necessity. Under his leadership the SPOe does not appear to strive for redefining its ideology, but rather to present itself as an improved people's party. In foreign policy, Sinowatz seems to be emphasizing good neighborly relations more than Kreisky did during his last years. Thus he quickly came to an understanding with FRG chancellor Kohl, something for which Kreisky did not demonstrate any great interest. The fact that Sinowatz's visit to Berlin was somewhat flawed by maladroitness on both sides--he absolutely refused to visit the Wall--should not be taken too seriously.

Failure to Make Decisions?

One weakness attributed to the new chief of government however is his notable lack of eagerness in decisionmaking. He views the conflict between Kreisky and Androsch with regret, but without taking sides. His attitude toward the controversial Hainburg Danube Power Station is difficult to comprehend; on the one hand he claims that its construction is already a fait accompli by virtue of a government decree; on the other hand, he promises to examine carefully all misgivings presented by the environmentalists. He also referred to a government decree when, after several weeks of agitation against the Pope by several young socialists and young-in-spirit old socialists, he came to the decision that the government had specifically expressed its welcome to a visit by the Holy Father. The chancellor uses commands only sparingly, at least in public; he appears to subscribe to the view that most controversies eventually take care of themselves. The fact that this is not always the case can be seen in the matter of the Zwentendorf nuclear power station. Five years after the negative result of the plebiscite the majority government party is undecided about whether or not it should make a second effort on behalf of starting the plant up. Nor is it easy to get a handle on Sinowatz's statements concerning an immediate and universal introduction of the 35-hour work week, which Minister for Social Administration Dallinger is forever demanding.

Hesitant Opposition Leaders

Sinowatz's opposite number, OeVP chairman Mock, is himself one of those hesitant souls who prefer to tread softly. He brought his party back from the doldrums with decorum and tenacity. Even though in the Ludwig affair the OeVP appears to have some difficulty in complying with its self-proclaimed standards of clean politics, it could as of now face elections with confidence. It is true of course that intro-OeVP controversies, such as the one between its "green" wing, which has a lot of strength in Vienna, and business, is far from cleared up. If one occasionally gains the impression that Mock and his party would like to

be in the opposition a while longer, this may be caused by the party's internal configuration. At this moment there can be no question about the OeVP's participation in governing the country, since the two partners, the SPÖ and FPÖ are forever professing their loyalty to the coalition until 1987. Should however the FPÖ suffer serious losses in the forthcoming Landtag elections in Salzburg and Tyrol, the FPÖ may find its ground cut out from under it as far as being part of the government is concerned.

9273

CSO: 3620/125

SUCCESS OF WILLOCH ECONOMIC POLICY MAY DECIDE 1985 ELECTIONS

Oslo AFTENPOSTEN in Norwegian 31 Dec 83 p 3

[Article by Egil Sundar]

[Text] More than the Orwellian year, it is the upbeat to the 1985 Storting election that is evoking political thought and attention as the new year begins. The local elections in September were a serious eyeopener for those who have a mandate to form a nonsocialist model as an alternative to the thoroughly regulated socialist guardianship society. And large groups of voters turned their backs on the Conservatives in particular, the exponents of the nonsocialist alternative. Experiences at the end of this year certainly make it reasonable to ask to what extent people are ready to understand a different policy from so-called democratic socialism, which has saturated Norwegian society for a number of years.

If the Conservative Party's position is weakened in relation to the support the party received in the last Storting election, it will also reduce the opportunities to carry out a responsible nonsocialist policy. The result would be shifting course again toward the socialist model of society in which the state and the public authorities think and decide on behalf of all of us. In a situation in which the Conservatives are still a minority, it seems to be one of the strangest paradoxes that several Conservatives said in the last election that they would stay home or vote for Carl I. Hagen, because there had not been enough "respectable Conservative policy." The party of Willoch and Benkow was even accused of reneging on its promises.

To take the last item first and because it involves a persistent claim, it may be time to clarify some concepts. When a minority party has really tried to do what it could to realize its program but has had to admit that it does not have majority backing for its policy, it is impossible to talk about breach of promises. That would be the same as charging that the Labor Party is abandoning its pledges every time it is voted down by the nonsocialist majority in Storting. It is true that politics is the art of the possible, but no one has succeeded yet in turning a minority into a majority with a single wave of a magic wand.

Conservatives and Taxes

Presumably no one in his right mind would claim that the Conservative minority party is breaking its promises on tax policy every time it turns out that the political majority wants a more stringent taxation than the one supported by the Conservatives. Like any other party, the Conservative Party must get support from a majority in order to get its own policy enacted. That is the way things are in a political democracy.

The following conclusion can be drawn from this. It does not advance the political goals of the Conservative Party to weaken its position and influence. If we are to understand that nonsocialist voters believe their interests are best served with a "respectable Conservative policy," they should take the logical consequence of this and support the Conservative Party and work to give it a majority on its own. There is no other sensible response. And of course a similar procedure would be logical if one wants a different political tendency to form the basis for social development. One must simply not lose sight of the overall perspective.

Cooperation

After the last election, the Conservatives, Christian People's Party and Center Party have a collective majority in Storting. Separately, they are all minority parties. Consequently there is very little they can accomplish individually, but through binding cooperation they can collectively form a policy they feel will best serve the nation, one that is in line with their mutual basic values.

The present three-party government is based on the fundamental realization that no nonsocialist party is big enough to determine or dominate political developments on its own. The alternative to the established cooperation is not--as some believe--an exclusively Conservative government. Such a government would have a very limited lifetime under any circumstances as long as the Conservatives are in the minority. It can hardly be stressed too much that the alternative to the coalition government now in office would be a really confusing whirl of political instability.

Better Government

On an appropriately peaceful Christmas Eve when there was not much news, a mild sensation was created over an opinion poll showing that about half the Conservative voters considered a pure Conservative government better than the present three-party government. Strictly speaking, it cannot be regarded as a great surprise that Conservatives in general feel that a Conservative government would be "better" than any other kind of government. That is so obvious that it should be quite unnecessary to conduct a poll on the matter.

The Christmas Eve opinion poll would have been considerably more interesting and significant if the politically relevant question had been asked,

namely which government would be best suited to solve the nation's problems in a difficult period: A) a minority Conservative government that must seek support where it can get it on each individual issue or B) a majority government in which the Conservatives, the Christian People's Party and the Center Party cooperate on the tasks.

It really would have been surprising if a majority of nonsocialist voters had preferred a minority government to a majority government that could give a reasonable amount of political stability and efficiency. After all, the latter was one of the justifications for the government shift after the 1981 election. It was a nonsocialist coalition government--with majority support in Storting--that was the definite presupposition, with the possible exception of the Christian People's Party. And it was this broad majority solution we eventually got when the government was restructured this June.

Big Test

The outcome of next year's Storting election, which like the preceding elections will be a predominantly government election, will depend to a large extent on the ability of the present government to deal with the problems which the Conservatives, Christian People's Party and Center Party promised to take care of if they acquired government power. No one who followed the campaign prior to the 1981 election could be in any doubt that the co-operating parties would mobilize all their forces in order to bring the basic problems in the Norwegian economy substantially closer to a solution. In the first place, they would attack the problems of inflation and cost in such a way that Norwegian firms could regain their competitiveness. As we know, a major problem for our business sector is that our goods and services are generally more expensive due to our high cost level. We still have trouble competing on the open markets. And with declining sales and profitability, more and more jobs have been lost.

It Works!

Against this background, it is naturally encouraging to note that the government's policy is gradually starting to work--inflation has been almost cut in half in 2 years. And even though unemployment is still too high, conditions on the labor market indicate a more favorable development. Investments are growing. We are on the right course.

But as Finance Minister Rolf Presthus in particular has stressed on a number of occasions, it will take a long time to set the Norwegian economy straight. Our cost level is still much too high. And although the fight against price increases has given encouraging results, Norwegian prices are still rising more than the prices of our most important competitors. In addition, the increase in investments does not match the need for creating new and profitable jobs.

The three cooperating parties went into the election campaign with a promise to restore the ability of the Norwegian economy to grow. This is necessary to create a better economic basis for solving urgent common tasks, especially

in the social sector and in health care. Unfortunately it has not yet been possible to gain enough sympathy in all parts of the coalition in support of the correct and necessary policy. An economic cleanup that could produce relatively rapid results over a broad spectrum requires both courage and energy, but also consistency and resoluteness in political planning. It has proved difficult to get full support for this among the parties that formerly distinguished themselves as "spending parties" in Norwegian politics. The growth of spending, with its inflationary effect, is still above a defensible and realistic economic level.

Mutual Responsibility

Even so, it is the mutual responsibility of the coalition parties to bring Norway out of the economic quagmire and create a more secure and improved foundation for the development of society. Together the Conservatives, the Christian People's Party and the Center Party have the votes needed to solve the problems. If they do not succeed in doing so, the judgment will be severe. For they have no excuses to offer and there are no extenuating circumstances.

No matter what the opinion polls show, the coalition parties are obligated to carry out the programs and agreements that are the basis for the government's activity. They are facing a mutual challenge and a mutual task, but above all they have a historic chance to demonstrate the merits and superiority of a nonsocialist policy. And this in the worst depression period the western countries have experienced since the prewar period. For of course the problems can be solved with thorough and systematic work, with internal and external cooperation and with a planned and correct utilization of economic and human resources.

The situation we are in requires consistent political leadership and efficient utilization of the political apparatus. If need be, this apparatus should be expanded with the expertise that can always be mobilized.

Vitalization

The time is obviously ripe for a greatly needed vitalization--from the top down. For unless this happens, there will simply not be any of the political offensive many people talk about--which has still not materialized but is urgently needed nonetheless. The coalition is disturbingly weak among its own voters. The political leaders must take the consequences of this.

Before the government starts discussing the 1985 budget at the annual conference in Staur at the end of January and the beginning of February, it should be summoned to a strategy conference where people can discuss and agree on the major political goals in the period before the next Storting election. This would point up--and confirm--the government parties' mutual responsibility for the results they want to achieve and that they have indicated to the voters. If there is agreement on the superordinate goal, it will also be easier to find solutions to individual issues via a collective

and reunified strategy. An effort must be made to adjust traditional differences to the goals the government has set for itself.

Willoch's Initiative

The kind of discussions suggested here should come as a natural step in the vitalization process referred to above. If the government parties decide to postpone the problems, there is reason to believe that the budget debate will be marked by all the well-known conflicts that can lead to wear and tear in the long run. This does not just apply to the budget, fiscal and credit policies and economic policy in general. In several areas the government is facing tasks of such a nature and scope that a clarification of the political goals is simply unavoidable. The prime minister himself must take the initiative in providing it.

Different Policy

The problems in the society of the 1980's require a different policy than the one needed in the days now long gone by when things just got better and better. Economic progress can no longer be taken for granted, but calls for us as members of a community to give more, produce more. We cannot just sit down and wait for others to solve the problems. For as free and independent people, we also have a social responsibility. To quote a well-known statesman, we should not just ask what our country can do for us, but also what we ourselves can do for our country.

Alternatives

The question is, as we mentioned at the beginning of the article, whether Norwegians are mature--and adult--enough to understand what a new situation demands, not just from the authorities but from us as individuals and fellow citizens. This will be apparent on election day, when we will once more be confronted with alternatives. And they will probably be much more clearly defined than they were the last time we cast our ballots. It is not at all certain that the Labor Party will be as favored when people have to analyze the consequences of the party's policy--for the nation's economy, for our personal freedom and, not least, for Norway's security.

6578

CSO: 3639/51

KOIVISTO'S ATTACK ON BOOK BY NORWEGIAN EDITOR CRITICIZED

Oslo AFTENPOSTEN in Norwegian 5 Jan 84 p 2

[Editorial: "Koivisto's Reprimand"]

[Text] The Finnish presidency has such an elevated and almost indisputable position that a duel between the chief of state and the Finnish press comes close to being an "unequal match," to use the popular expression. Presumably the president will always carry the day, or to put it another way, the dogs may bark, but the caravan will continue on its way without taking any notice.

However, President Mauno Koivisto has now tangled with the press in a way that must give rise to some astonishment. It began with a kind of reprimand to the former editor in chief of DAGBLADET, Jahn Otto Johansen. Because of a book on Finnish politics, he was hauled over the coals for meddling in internal Finnish affairs. But the fact is that journalists who deal with foreign policy issues "meddle" in this way as part of their job.

For that matter, it often happens that Finnish papers have various things to say about Norwegian politicians and Norwegian policy, especially our alliance policy. They have a complete and obvious right to do so. It is their right to such an extent that a Norwegian cabinet member who accused them of interfering in Norwegian affairs would need to do something to restore confidence in his judgment.

But Koivisto has gone farther than that. He has complained that his statements are interpreted in the press in a way he does not like and in the future he will see to it "that no one explains my thoughts, not even I myself."

That is a statement that cannot be taken literally. In a democratic state, no politician has the slightest opportunity to make sure of anything of the sort. He can combat the tendency toward explanations and interpretations which he does not like by expressing himself a little more clearly than President Koivisto has done on occasion.

Behind the statement lies a fear that we choose to regard as exaggerated, the fear of Soviet reactions to what is said in the Finnish press or elsewhere. Even with the greatest respect for editor Johansen, it is hard to

imagine the Kremlin leaders writhing in anguish or losing any sleep over the statements in his book on Finland. And one of the more unhealthy signs toward the end of Urho Kekkonen's long period as president was that the content of Finland's neutrality policy was not supposed to be debated at all.

In part the Finnish debate has concerned two votes in the United Nations: Finland condemned the invasion of Grenada but abstained from voting when a resolution on foreign troops in Afghanistan came up for a vote. The United States was criticized more sharply in the Grenada resolution than the Soviet Union was in the Afghanistan text, providing a basis for discussing the meaning of Finland's neutrality policy.

It is always unpleasant for a government to be criticized, as it is for any other institution. But it is unhealthy to declare that one should not be criticized and even more unhealthy when a chief of state indicates that he will try to prevent this from occurring. We choose to regard President Koivisto's statements as the blunders of a novice which everyone would do well to forget and which he would do even better if he kept from repeating.

6578

CSO: 3639/51

POLL INDICATES CONSERVATIVES REGAINING FAVOR WITH VOTERS

Oslo AFTENPOSTEN in Norwegian 6 Jan 84 p 3

[Article by Egil Sundar]

[Excerpts] Conservative voters who defected seem to be gradually returning to Benkow's and Willoch's party. But the support is still lower than it was in the municipal election, when the Conservative Party slid to 26.2 percent of the votes. According to the NOI [Norwegian Opinion Institute]/AFTENPOSTEN opinion poll for December, the Conservatives can now claim a support level of 25.2 percent compared to 24.9 percent the month before and 23.9 percent when the October storms were raging most violently around the national budget and the car tax.

Viewed in the context of the stable Conservative support of around 30 percent ever since the 1981 Storting election to just a few weeks before the local elections last fall, the situation should be causing a great deal of reflection on the part of Conservative leaders. Even so, it is a bright point that the party is moving upward again after the record low that was noted in October, although the movement is extremely sluggish and protracted. The enthusiastic force that made the Conservative wave a lasting political reality has obviously disappeared. But that does not mean that it could not return.

The situation for the Christian People's Party and the Center Party, the two other government parties, is more or less unchanged. In December, their support levels were 8.7 and 6.5 percent respectively, compared to 8.5 and 6.2 percent the month before. The Christian People's Party's support level of 8.7 percent is the highest this party has received since last May. The Progressive Party had the same support level in December as the month before, namely 8.2 percent.

On the socialist side, there has been only an insignificant shift since the last poll. The Labor Party remains relatively stable around the 40-percent mark, although the December figure of 40.1 percent might indicate that the wind is dying down. The preceding figures for the Labor Party were 40.3 and 41 percent compared to 39.2 percent in the municipal elections in September.

In December the Socialist Left Party had a support level of 5.2 percent, the same as the previous month. The Labor Party and the Socialist Left had a total of 45.3 percent of the votes, while the government coalition, the Conservatives, Christian People's Party and Center Party, had 40.4 percent.

Poll Results

Question: "If you voted in a Storting election tomorrow, which party would you vote for?" Answers given in percentages.

<u>Party</u>	<u>Storting</u> <u>election</u>	<u>Jun</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
	<u>1981</u>	<u>1983</u>	<u>1983</u>	<u>1983</u>	<u>1983</u>
Labor Party	37.1	36.9	41.0	40.3	40.1
Liberal People's Party	0.6	0.5	0.6	0.7	0.4
Progressive Party	4.5	5.3	9.5	8.2	8.2
Conservative Party	31.8	31.8	23.9	24.9	25.2
Christian People's Party	9.4	8.3	7.6	8.5	8.7
Norwegian Communist Party	0.3	0.2	0.4	0.2	0.4
Red Election Alliance	0.7	0.7	1.0	1.0	1.1
Center Party	6.6	5.9	6.8	6.2	6.5
Socialist Left Party	5.0	6.0	5.7	5.2	5.2
Liberal Party	3.9	4.0	3.5	4.4	4.3
Others	0.2	0.2	0.0	0.4	0.1
Total	100.1	99.8	100.0	100.0	100.2
Labor + Socialist Left	42.1	42.9	46.7	45.5	45.3
Conservatives + Christian People's Party + Center	47.8	46.0	38.3	39.6	40.4
Labor + Socialist Left + Red Election Alliance + Communists	43.1	43.8	48.1	46.7	46.8
Conservatives + Christian People's Party + Center + Liberal People's Party + Liberals + Progressives	56.8	55.8	51.9	52.9	53.3

The figures show how many of those who would definitely vote in a hypothetical Storting election the next day would vote for each party. They were also asked which party they voted for in the 1981 Storting election. The differences between support for individual parties in this question and the actual election results in 1981 are used as a weighting factor.

The figures are corrected for sex, age and geographical location, so that the distribution within these groups is the same among those questioned as in the population.

Results are based on interviews with 946 eligible voters in the period from 5 to 20 December 1983, carried out by the Norwegian Opinion Institute.

APPEALS OVER LEGISLATION BEFORE CONSTITUTIONAL COURT

Madrid YA in Spanish 29 Dec 83 p 8

[Article by F. L. de Pablo: "Government Legislative Production Increases Constitutional Court Appeals"]

[Text] The matters pending in the Constitutional Court are increasing daily, as a result of the abundant production of legislation by the government, which is implementing its election program, and the insistence of the opposition in exhausting every means in an attempt to correct it. While it is expected that the court will rule in the coming days on urgent appeals, such as those pertaining to the legal challenge and the exemption concerning the appointment of the president of the Navarre Statutory Government, the docket of the supreme body of recourse on the Constitution is daily receiving new appeals, swelling the list of more than half a thousand pending matters.

This increase in the workload, although it is distributed among the three chambers of the court, is hindering the work of the full court, which although it meets several days each week, does not have time enough to deal with this volume of decisions, opinions and judgments, or to study sentences, apart from the contrast with the abundant jurisprudence available to the court, which should be taken into account when it comes to handing down the judgments, so that the constitutional doctrine will be consistent.

Pension Cut

One of the appeals which has been filed as a result of the approval of the 1984 budgets may not be presented, since the Constitutional Court ruled earlier, on 20 July 1981, on another similar case. It involves the reduction in the pensions of the members of the Social Security Mutual Association, in accordance with the fifth additional provision of the Budget Law approved Tuesday. In brief, the problem is that the supplementary pensions of some 15,000 government employees who have been making contributions to this mutual association so that, when the time comes, they will receive larger amounts than the regular old-age pensioners, have been frozen, with a view to making their final pensions equal to those paid the other government employees, since the state, through the public treasury, can no longer continue to cover the deficit in their mutual funds, least of all in this present situation, characterized by a shortage of resources.

Wage Limitations

This cut is upsetting many government employees who have been paying in order to receive these supplementary pensions. But as these are bodies with a deficit which can no longer be covered by the public budgets, they will have no alternative to accepting these reductions, which were already being implemented in the 1980 budget for the employees of the various departments with different types of supplementary pensions which were finally combined into the MUFACE. To that additional fifth provision of the 1980 budget, the socialist group in the congress filed an appeal, claiming unconstitutionality, which the court rejected because it felt that this was a situation of need dependent on equal treatment. Therefore it is not likely that the planned appeal against this provision of next year's budget will prosper.

Among other appeals charging unconstitutionality which the court is unlikely to accept are that presented by the Galician Council against the Decree Law on Industrial Conversion, which was confirmed by the congress on Tuesday and will now be dealt with as a draft law. This appeal would not halt the application of the decree law, which is already being implemented, with the closing of the headquarters of the Sagunto Blast Furnaces.

The appeal announced by the Catalan and Basque minorities during the budget debate against the second article of the 1984 Budget Law, which establishes a wage increase ceiling binding on all the public administrations of the autonomous communities and local bodies, will be more controversial. Some statutes, mainly those of the historic nationalities, attribute exclusive jurisdiction over their respective public employees to the communities, but the state continues to reserve for itself jurisdiction over the organization of the economic policy, and the matter of wage organization is the key to the achievement of the macroeconomic goals set forth by the government in its medium-range program.

5157

CSO: 3548/158

DEFENSE MINISTER DISCUSSES GOALS FOR IMPROVING ARMED FORCES

Copenhagen BERLINGSKE TIDENDE in Danish 28 Dec 83 p 2

[Article by Dan Axel]

[Text] The Danish military falls far short of the standard set by the Warsaw Pact countries. Either more money must be provided to procure modern materiel or cuts must be made in operating costs--which means fewer soldiers.

This is part of Defense Minister Hans Engell's introduction to discussions over a new defense agreement. The present agreement will expire at the end of 1984.

"This tradeoff between investments and the operating budget will be one of the central issues in the upcoming negotiations," Hans Engell said. "In addition, there will be the question of our level of military activity--our possibilities for training and exercising our personnel. If we are unable to maintain a reasonable level of activity, it will mean that our defense will be less capable, in a given situation, of carrying out its tasks satisfactorily."

Yesterday the defense minister delivered his annual report to the defense committee of parliament. The report dealt with the current state of Denmark's defense, what type of defense Denmark has received for the approximately 10.3 billion kroner in allocations, and what plans the military has for the future.

Credible

"A status report at the end of the current defense agreement would show that, even though we have a good and credible defense system in many respects with highly motivated workers at all levels, there also are problems and shortcomings for which we must seek political solutions during our negotiations," Hans Engell said.

In addition to economic considerations, there is the question of what tasks the military should assume and what composition our forces should have. On this latter question, Hans Engell stated that fewer and fewer young men were being inducted into the service because 83 percent of the military's needs were being met already by "volunteers for the draft."

In terms of numbers, the inductees who actually were drafted represent only 8,241 of the 38,301 who comprised the total armed forces in 1983.

"As a result, we may need to include a political evaluation of the entire 'draftee' concept in our upcoming discussions," Hans Engell said. "We also must maintain the people's insight and understanding of why we have a defense system to safeguard our freedom."

"The scope of our defense system's activities is determined primarily by the people's attitude toward the military and our political will to pay for peace and security. Our desire to determine and develop our society ourselves is the very reason why we have a military defense."

Home Guard

As of October this year, the total forces of the home guard included 77,892 people. These included 8,421 members of the Danish Women's Voluntary Army Corps, 1,504 members of the Women's Naval Reserve, and 1,791 members of the Women's Air Corps. The home guard is growing steadily, since almost 1,000 new members are joining each month.

But this positive trend is accompanied by several economic problems, especially with regard to the training of new home guard members. Almost 80 percent of the new members are under 30 years old and only about 35 percent of the men have been in some branch of the service.

In his report, Defense Minister Hans Engell stated that during the past 20 years there had been 10 cases in which home-guard weapons had been used for homicide. "This is an extremely small percentage of the cases in which other weapons have been used. Nevertheless, these tragic individual cases have resulted in tougher regulations on the storage of weapons," Hans Engell said.

9336

CSO: 3613/71

PAPER URGES INCREASING DEFENSE FUNDS TO GUARANTEE CREDIBILITY

Copenhagen BERLINGSKE TIDENDE in Danish 28 Dec 83 p 10

[Editorial: "The People's Defense"]

[Text] For many years, security policy issues have remained in the shadows of the Danish political debate. There have been parties for many years whose "pet peeve" has been Denmark's membership in NATO. But their influence on day-to-day politics has been insignificant. Since 1949, the overwhelming majority in parliament has based its work on the assumption that Danish security can be assured only within the alliance.

In 1983, there has been more security policy discussions than during any year since 1948. These discussions have become so broad at times that they have threatened to pass the point at which they deal with how Denmark's obligations to the alliance should be met and, instead, to take up the question of whether or not Denmark should remain a member of the alliance. Toward the end of the year, in the heat of the election campaign, it may be noted that the debate has not been permitted to pass this point. On many occasions the Social Democrats have clearly stated that Danish security policy will continue to be based primarily on NATO membership.

Several decisions will be made in 1984 that will have a long-lasting effect on the Danish military. The defense agreement will expire and a new one must be achieved. A major political effort will be made to reach an agreement on the basic activities of our defense system, supported by an overwhelming political majority. A starting point for this future task may be found in the defense policy report recently presented by the defense minister. It is a status report on the Danish military and it contains plans for the future. It shows that it has been possible to maintain Denmark's defense with sufficient credibility, but it also shows that we may have problems maintaining this credibility.

Any future defense compromise must deal with this credibility. The main problem may be described as a relationship between materiel and personnel. Materiel appropriations have been increasing for years. Advanced weapons systems require enormous expenditures for procurement and maintenance. As a

result, a greater and greater percentage of the total expenditures has been used for material purchases. Personnel costs also are rising. As a result of improvements in pay for draftees and volunteer personnel, there have been fewer and fewer positions available in training programs. If there had not been such a sharp increase in the number of young people joining the home guard, it would be a myth to talk about a people's defense system in Denmark.

for this reason, we must undertake a thorough evaluation of the economic framework of Denmark's defense system. We must proceed from the assumption that our people's will to defend themselves shall be utilized to maintain a people's defense system with credibility both at home and abroad.

9336

CSO: 3613/71

FORCES COMMANDER ARGUES AGAINST CUTTING TROOP STRENGTH

Copenhagen BERLINGSKE TIDENDE in Danish 3 Jan 84 p 3

[Article: "Defense Credibility Requires Money"]

[Text] In his New Year's statement, defense chief Gen Knud Jorgensen requested that all defense personnel make an active effort to influence the country's politicians to improve the economic position of the military.

"If we are to maintain our credibility among both friends and foes, we cannot make any additional cuts," Knud Jorgensen said. "Parliament must reach a new defense agreement before its summer recess. During the past 20 years, every defense compromise has resulted in cuts in the military budget. This is reflected in the number of personnel, which has dropped from 58,000 men in 1965 to the present level of just 40,000."

The defense chief wants defense personnel and personnel organizations to spread factual information on the military to responsible politicians during the debate on the new defense agreement. He wants his men to create understanding for the fact that the present security situation requires an effective and flexible defense system.

"We must all work to maintain the present level of troops and to improve the conditions under which we attempt to carry out our assignments," Knud Jorgensen said. "We can improve the position of our defense system, which has become more and more dependent on prompt reinforcements from our allies, only by expanding our present tight budget over a period of several years."

9336

CSO: 3613/71

NEW TYPE OF CAMOUFLAGE OFFERED TO FRG, NATO

Copenhagen BERLINGSKE TIDENDE in Danish 4 Jan 84 p 28

[Article by Peter Bergen: "Danish 'Invisible Heat Carpet'"]

[Text] Military authorities throughout the world are interested in a Danish invention, and there are prospects for exports worth millions.

The invention is something as peaceful as a carpet. The carpet's military value is its ability to conceal vehicles; not only by using camouflage colors and the resemblance of the carpet to grass. Many modern weapons find the target by using heat, and the reverse side of the carpet is covered with insulating PVC, which holds in the heat. Finally a radar-damping property can be built into the material. Briefly it is the closest one can come to an "invisible carpet."

Compared with a camouflage net, the carpet can remain in place during motion. It has special value for tanks. The "tufted" nap--like a long-haired living room carpet--makes tanks blend in much better with the terrain than plain camouflage covering, according to Defense Ministry aerial photography.

The "invisible carpet" was developed by the firm Gottlieb Commercial Company A/S (GCC). Despite the name, the firm is very Danish, is located in Sonderhav in Sonderjylland, and is a large supplier to the Danish defense. For years GCC has supplied camouflage netting. It was a shortage of netting which caused the head of GCC, Willi Gottlieb, to develop something better.

Research has been going on for 7 years, in recent years supported by the Technology Administration. Tests by the Danish Defense Ministry here and in Germany have showed where the carpet needed improvement.

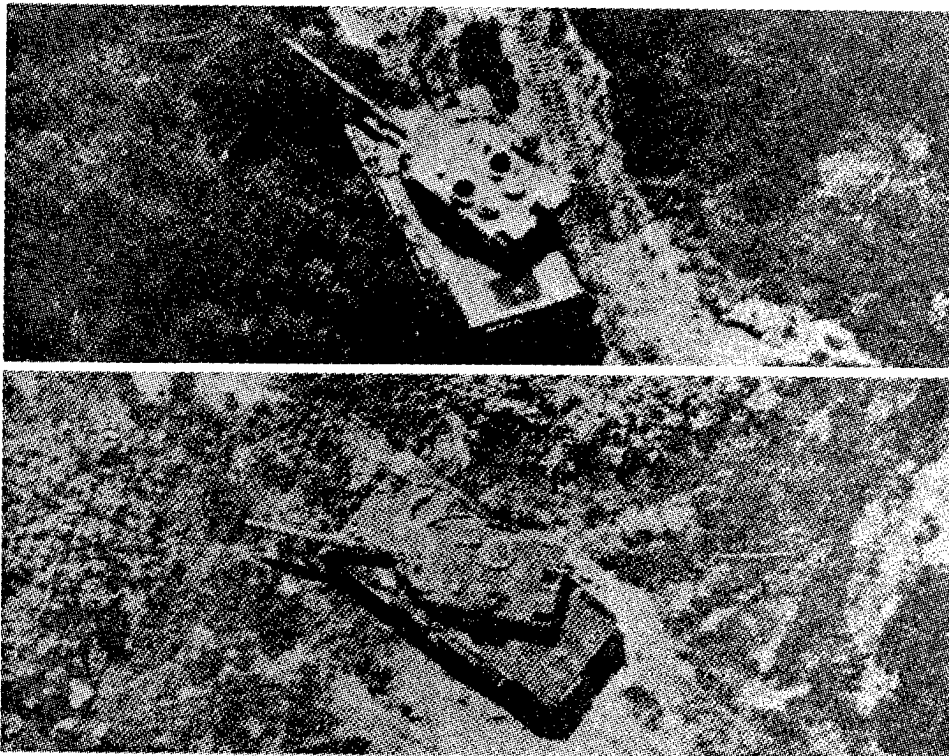
Chief of production Ole Larsen said, "Clearly we are aiming for export. It has cost so much that deliveries to the Danish Ministry of Defense alone would not be profitable."

According to Ole Larsen there is nothing like it in the world, and until a month ago the GCC carpet was kept secret to prevent theft of the results of research.

Ole Larsen said, "We suspect that unauthorized persons have tried to get the information."

Development work has cost millions. Willi Gottlieb said, "But only a few percent of what it costs to develop a new weapon. And it was drudgery. We are just about finished, and have taken out patents on the product in those countries where we believe there is a market for it.

"The potential customers are primarily NATO countries. Our sales policy is that we do not sell to a new country if that displeases another customer. For example, we would not sell the carpet to both Israel and Saudi Arabia. And not to South Africa, as that would offend the African countries which we have dealt with previously."



Caption: Aerial photograph of the Leopard tank without (above) and with the carpet. Photograph by the Defense Research Service.

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AIR FORCE INSPECTOR ON NEW PLANES, AIR STRATEGY

Bonn WEHRTECHNIK in German Dec 83 pp 24-30

[Interview with Lt Gen Eberhard Eimler, Inspector of the FRG Air Force, by WEHRTECHNIK Managing Editor Wolfgang Flume, date and place not specified: "First Priority Goes to a Switch in Air Defense Planning Emphasis"]

[Text] Lieutenant General Eberhard Eimler has been Inspector of the Air Force since April; he is the first inspector who had his entire training in the Bundeswehr. His first priority for the next few years is an improvement in the air defense, e.g., by using the 90 fighter, PATRIOT and ROLAND. At the present time, he can visualize no substitute for this weapon system mix which would be equally effective. The inspector is satisfied with the newly introduced ALPHA JET and TORNADO aircraft which are soon to be provided with modern ammunition. He sees no point in reorganizing the air force--for one thing, the present structure has been pronounced effective by past studies; further, any reorganization at this time would cause a loss of time and efficiency in the forthcoming major projects.

WT [WEHRTECHNIK]: You have been the air force inspector for the past 9 months, and you are the first inspector who has had his entire training in the Bundeswehr. Do you think that this change of generations in the top echelon of the air force will lead to new leadership principles, to a different type of management?

[Lieutenant General] Eimler: Directing one of the component services is a complex procedure which is influenced by many factors. Among these factors, leadership principles and types of management are just as important as the style of leadership of the people in charge. Let me briefly discuss three areas.

I see no reason for abandoning the traditional leadership principles. "Mission tactics" and "delegation of authority" will in the future be just as valid as the principle of "central control/decentralized execution." I can't imagine that principles like the three I have mentioned at random, which have proven themselves in military leadership for centuries, could become obsolete within the foreseeable future.

On the other hand, modern leadership aids (buzz word: "data processing") and insights into more effective methods of organization have brought about new types of management. That is an evolution which my predecessors have recognized and made use of also. I had the opportunity of participating in this since the middle of the 1970s, when I occupied the position of chief of command and operations in the air staff.

Questions about one's own leadership style are always difficult to answer. I am in favor of "first-hand information," meaning that in evaluating solutions to problems I like to hear an expert's opinion immediately. I have found that by proceeding in this fashion, I can obviate bureaucratic tendencies in military personnel under my command as well.

But I consider this to be less of a generational question than a question of personal preference.

WT: Any person starting out in a new job probably sets some short-, medium- and long-term objectives for himself. In which direction are you looking and what are the points of emphasis you visualize for your tenure?

Eimler: The Blankenese Directive charges me with a twin mission: administrative command of the air force and director of one of the sections of the defense ministry. I would prefer seeing the highest priority in commanding the air force, but this would not be consistent with actual requirements. In commanding the air force, I have the help of the commanding generals and the head of the department of the air force. They have all the necessary authority, personnel and resources.

Acting as director of a defense ministry section is my job, and direct support out of my command is hardly possible for this.

I make specific mention of this aspect because the future of the air force is mainly governed by Bundeswehr planning. This takes place in the ministry according to political direction, must be defended in parliament and is thereafter implemented from here.

In view of the prospective tight budgets and the upcoming low-birth rate year groups, I am not all that worried about the 1983 or 1984 air force--that air force is doing well, all things considered, in good shape and well respected. But in the remaining years of the 1980s there is much to be done: first of all the implementation of the major project TORNADO; operational penetration and survival capability; increased weapons effectiveness by use of modern ammunition; the first portion of adaptive measures for the air force reconnaissance system; and modernization of command and communications resources.

The highest priority goes to the shift in the planning emphasis for air defense, and that too must happen before 1990 in order to compensate for shortages which have already begun to occur in that part of the air force. During the 1980s, my objective must be to create a "well-rounded" air force, with good distribution of mission tasking.

During the 1990s, the continuation of the acquisition of new-generation weapon systems will have a decisive influence on planning; that portion of modernization will be almost entirely in the area of air defense.

New weapon systems for air defense in the 1980s and 1990s will also constitute one of the essential prerequisites for overcoming structural problems which cannot fail to occur as a result of low-birth rate year groups, e.g., greater reliance on long-term personnel during a greatly reduced availability of conscripts performing basic military service. New systems--in this case, for air defense--provide an opportunity for reducing personnel requirements. In other words: the number and state of training of personnel can be adapted to the forecasted manpower pool by technological improvements in the systems. Planning for such "personnel-economic" technologies constitutes a decisive contribution by the component services toward maintaining the Bundeswehr in the alliance and to make possible the required improvement in conventional defense.

Such issues provide an inspector with a "full program" for years to come. The only way to implement it is by having long-term objectives, work towards them a step at a time and by making prudent use of available resources. I have resolved primarily always to proceed in a pragmatic fashion, but at the same time not to neglect the long-term view of our actions.

In this I could use all the support and good wishes I can get. The help which I have received during my first few months in office from inside and outside the air force has been most encouraging, and I am grateful for that starting capital.

WT: You were speaking of "personnel-economizing" technologies which will find their application in future weapon systems. Is the PATRIOT antiaircraft missile system one of the instruments which has been developed in view of these criteria?

Eimler: Yes, with the PATRIOT I can make do with about one-half the personnel necessary for today's NIKE. With the 90 fighter aircraft too we must make very certain that fewer personnel will be required. I am quite optimistic in that respect; modern aircraft like the F-16 or F-18 provides valid examples: e.g., man-hour expenditures are much lower than in their predecessor aircraft.

WT: How well satisfied are you with training in your service? Was enough flying time available? How about flight safety?

Eimler: The air force's traditionally high level of training has during the last few years been maintained in the overall picture, and even improved in some respects, despite budget reductions. International comparisons are proof of this.

But training must not be expressed in statistical measures. It must be adapted to the requirements of operational concepts and new weapon systems in a dynamic, flexible and unbiased manner, and it must give consideration

to new insights and scientific breakthroughs. For the near future, this means:

- More intensive cooperation within the alliance, including training--here I am referring to joint European jet pilot training in the United States, joint TORNADO training in Cottesmore and the NIKE training center.
- Further standardization of training planning.

The quality of training has a part in determining the operational value of the air force. In this connection I would emphasize a marked improvement which we were able to achieve by decentralizing some important training components (low-level, high-speed flight, aerial combat, firing training) to Goose Bay, Canada, Decimomannu, Sardinia, and Beja, Portugal.

In this way the air force has been able to arrive at a compromise which permits it on the one hand to attain and maintain the necessary level of training and on the other hand to contribute to a reduction in noise pollution affecting the civilian population. This compromise does however cost money--training facilities in foreign countries must be paid for by the taxpayer, which is why they cannot be expanded ad infinitum.

Flight safety has improved during the past few months. The flight accident rate, i.e., the number of accidents per 10,000 flying hours, was significantly lower than last year. This is in no small measure due to the high priority given to flight safety in the Bundeswehr and to the energetic implementation of measures designed to increase flight safety. But I do of course admit that the "luck" factor played a part in these results also.

It is our objective to continue pursuing this favorable picture, and at the very least to maintain present levels. Not an easy task.

WT: The air force now has all 175 ALPHA JETS in its squadrons and TORNADO is being delivered. Are you satisfied with these new weapon systems from the flying and logistics standpoint?

Eimler: At the present time we are experiencing a notable change of generations in the flying units, which partly causes a pronounced process of rejuvenation in the squadrons. For the moment, this means a loss of experienced personnel to the air force. ALPHA JET pilots, like those of other aircraft, will be able to fly the desired 180 hours this year. Besides, flight safety has improved considerably compared with last year.

Tactical training of the ALPHA JET units did by necessity have to take a backseat during the FIAT G-91 ALPHA/JET transition phase, since the immediate priority was to master the new aircraft. But in the meantime, it has come up to our standard NATO operational readiness inspections after the reassignment gave proof of that.

As to the TORNADO: By now the FRG air force and navy, the RAF and the Italian air force have flown a total of some 35,000 hours in it, 20,000 of them at

the jointly operated training facility of Cottesmore. The crews unanimously commended its excellent flight characteristics and greater capabilities compared with aircraft types used before. The TORNADO's all-weather combat capability in conventional air-to-ground operations indicates a step toward a new dimension for the air force and for tactical air forces altogether.

This step does of course impose considerable demands upon the capabilities of air and ground crews.

Our experience to date confirms our assumption that complete familiarity and exploitation of all the capabilities offered by the highly complex technology involved demands qualifications which can only be attained and maintained in continuous operational use. Only practicing crews can master the technology, and this is our guideline.

By contrast with the ALPHA JET, transition to the TORNADO is in its early stages. The aircraft for the air force's first operational unit are on the way. Obviously, that complex an aircraft and its auxiliary systems creates start-up problems in the maintenance and logistics area, which cannot be expected to have been solved by now, especially in the maintenance and supply department. On the positive side we might say that the initial flying program was well enough supported to fulfill the planned flying hour program. Constantly increasing availability indicates that we are on the right path and that we have been able to create conditions similar to those achieved internationally during the introduction of the F-15s and F-16s.

FRG Air Force Statistics

At the end of September, the Inspector of the Air Force, Lieutenant General Eberhard Eimler, distributed to the Defense Commission, during his presentation about the mission of the air force, a large handout. WEHRTECHNIK has already reported on this in WEHRTECHNIK 11/83. Herewith a few more interesting figures:

The air force has 110,000 personnel, of which 12,500 are officers, 40,000 noncommissioned officers and 57,500 airmen. Of: 17 percent are career soldiers, 46 percent long-term servicemen or long-term service men with 2 years' active duty (SaZ), and 37 percent are conscripts in general service. The military personnel is supported by 24,000 civil service employees.

Average annual expenditures for repair and maintenance are about DM 560 million; spare parts costs climbed, mostly due to the DM/dollar currency exchange rates, from about DM 400 million in 1979 to DM 610 million in 1982.

In the Baltic approach areas the FRG air force provides 40 percent of the operational combat aircraft, in Central Europe 30 percent of combat aircraft, 40 percent of ground-to-ground missiles, 45 percent of antiaircraft missile units and 60 percent of flight command and control facilities and of the low-altitude air alert service.

The following resources are in use for the above:

- four RF-4E reconnaissance squadrons
- eight F-4F fighter-bomber squadrons
- nine F-104G/TORNADO fighter-bomber squadrons
- seven ALPHA JET fighter-bomber squadrons
- eight Pershing 1A ground-to-ground missile squadrons
- 24 NIKE-HERCULES antiaircraft missile batteries
- 36 Improved HAWK antiaircraft missile batteries
- 13 command field headquarters
- 48 radar units
- four C-160 transport aircraft squadrons
- five UH-1D transport helicopter squadrons.

WT: In your presentation on the air force status before the defense committee of the FRG Bundestag you understandably placed the emphasis on air defense--introduction of PATRIOT in 1988, introduction of the 90 fighter aircraft in 1994 and, in the year 2000, introduction of the MFS-90 medium-range antiaircraft missile system, replacing the HAWK. Apart from these major projects, to what extent will other procurements, e.g., ammunition, be possible?

Eimler: The objective of a "well-rounded" air force requires during the 1980s the completion of planned high-priority expenditures in areas other than air defense; among the primary beneficiaries are the fighter-bomber units.

Modern ammunition will be a crucial item in any procurement program. The starting point in this respect is the AIM-9L for PHANTOM and TORNADO and the MAVERICK for the PHANTOM. We continue with the MW-1, which, together with the antitank subammunition, is to be available upon assignment of the first TORNADO wing at the end of 1984. Inasmuch as last summer's experiments in runway destruction with STABO were successful at Eglin AFB, I assume that the final development and production program for STABO will take a swift course.

In addition, we must invest in anti-radiation weapons; in this connection we are thinking of the HARM for the TORNADO, in tandem with navy procurement. Also, a project similar to the anti-radar small drone could once again become significant, since in 1981 it had to be suspended--repeat; suspended--for financial reasons.

In addition, the ALPHA JET too will have to be equipped with more modern ammunition, e.g., the MAVERICK and possibly an air-to-air missile for use against helicopters; but all these things cannot happen all at once and for a firm program to be implemented, the air force will have to wait until next year.

All these are really modifications of the main projects, i.e., necessary fill-ins and adaptations designed to guarantee the effectiveness of the weapon systems.

During the 1990s there will of course be some latitude for other projects other than air defense; but we are concentrating on one unequivocal point of

emphasis. It is already an integral part of personnel, financial and technological planning.

If we take an overall view of future air force plans, it becomes obvious that it is our goal to neutralize enemy air forces--through attaining a capability of attacking air bases and an adequate air defense.

For all that, the support of our ground forces on the battle field and attacking the "second squadrons" retain a high priority.

My predecessor once called attention to the fact that during the 1980s the air force is making the greatest gains in combat capability for operations against the Warsaw Pact ground forces. This is an obvious result of the introduction of the ALPHA JET and TORNADO weapon systems, the upgrading of the PHANTOM, which at the same time ~~increases~~ the effectiveness of air-to-air operations, and of the available ammunition.

This capability of attacking ground forces, especially in rear areas, will be further increased by the air force in the 1990s. But the major increase in combat capability during the next decade will still be in countering the aerial threat.

If air force plans can continue to be implemented in a balanced fashion, we will be able to make a considerable contribution in the conventional area in our Central European region. We would be able to keep the Warsaw Pact from employing its air forces in an ever more offensive manner while deploying its ground forces according to plan.

WT: Your predecessor, Lieutenant General Obleser, mentioned in a speech that there must be greater emphasis on conducting joint air operations, i.e., a closer connection between air defense and air strike forces. This would require appropriate command structures and control systems. How much closer has the air force come to this objective?

Einler: Improvements in the Warsaw Pact armed forces, especially in its air defense systems, as well as the need for economic use of our own forces, makes it incumbent upon us to use all aerial combat resources in an integrated manner. I make it a point of speaking of all aerial combat resources--not only of air strike and air defense forces--even though in those two areas the biggest obstacles must be overcome because of augmented command structures and the variety of primary missions.

Inasmuch as operational control is a NATO responsibility, we are working on joint alliance solutions. You are aware of the fact that at the moment a comprehensive air command and control system is being designed which will facilitate a flexible deployment of all aerial combat resources on a joint basis. A major undertaking of this sort cannot be implemented all at once--we can only proceed step by step. The initial phase has been implemented: procedures have been developed which make possible the deployment of a variety of aerial combat resources under centralized control. In the intermediate phase, we want to bring about an improvement in the coordinated

functioning between air strike and air defense command headquarters of the so-called tactical control echelon--the Allied Tactical Operation Centers and Sector Operation Centers; in other words, that echelon which is responsible for planning the implementation.

WT: Occasionally I get the impression that the air force has some over-staffed commands, offices and staffs--and this despite the personnel shortages which will occur in the next few years. Are any efforts being made to examine the organizational structure of the air force from that aspect also?

Eimler: The introduction during the next few years of new air defense weapon systems, which we have talked about before, will bring about considerably increased tasks and management requirements for offices and staffs, without a commensurate increase in personnel. In other words, personnel for these tasks can only be made available by regrouping manpower slots and activities within the air force--we must not lose sight of that fact.

We must constantly and carefully check which tasks must be given priority for operational reasons, and whether present tasks can be reduced, so as not to impair the quality of performance and not to overload the personnel concerned.

As part of its adaptation of its organization to changes in the mission situation, the air force has during the past 2 years undertaken a comprehensive study of its organization. All major command headquarters and commands of the air force were examined as to their effectiveness in the overall air force command structure, and as to the possibility of personnel cuts.

Wherever possible, the structure was tightened, task perception was improved and manning tables were redrawn in accordance with strict standards.

For this reason, we are justified in considering the air force's command organization--which contains a mere 5 percent of the total air force personnel in staff positions--as being economical and efficient. Its specialist command structure has proven itself in the overall picture.

Also, we must realize that the efficient implementation of current tasks would be imperiled if we were to engage in a restructuring at the present time. Any reorganization causes a loss of efficiency for a certain period of time. We cannot afford to lose time in this manner.

WT: In view of the counter-air mission, the West has made increased efforts in the development of weapons designed to destroy airfields; some of them are already in the procurement phase. Since it can be assumed that the Warsaw Pact has similar ideas, U.S. Air Force thinking is along the lines of requiring short and vertical takeoff capability in combat aircraft under development. This would seem to be the only way of guaranteeing survivability of enemy strikes, since the aircraft could operate from unprepared locations. Isn't there some significance for our air force too in this V/STOL capability despite all its drawbacks, e.g., decreased armament and greater fuel consumption, particularly since the airfields are located in a highly endangered area?

Eimler: The danger to our bases from counter-air strikes by Warsaw Pact air forces is one of the basic problems of aerial warfare. In this connection, the use of 2,000 ft runways was an essential requirement for the TORNADO in the late 1960s and in the end contributed materially to the TORNADO's variable geometry design.

For the 90 fighter, the survivability concept was strongly emphasized and incorporated in the design requirements, so that in the future the JF 90 will be able to use many more airfields in Germany in case of a conflict than has been the case to date. The Warsaw Pact would have to use extremely large resources to destroy all usable airfields simultaneously and permanently.

STOL capabilities are therefore a firm component of requirements for future aircraft. This requirement constitutes a sensible compromise prior to going into the vertical takeoff and landing technology, which is technologically, tactically and logistically fraught with problems and very expensive. I see greater advantage in the short takeoff and landing concept, because it is affordable and useful.

WT: Systems designed for vulnerable point protection have ranges between 2 and 8 km. Is this sufficient for a future threat from the air in the 1990s, particularly since these systems are supposed to remain in service for another 10-15 years? Wouldn't it be more appropriate to introduce a simple, cost-effective system now and to start development of a longer-range system, either an entirely new one or one based perhaps on the AMRAAM missile, which is part of the ASRAAM/AMRAAM family of air-to-air weapons?

Eimler: In the 1990s, the main aerial threat will continue to be piloted aircraft, whose evolution will however be marked by significantly increased performance factors. On the other hand, we must also count on high-performance, special purpose guided missile systems. We must be particularly alert to this additional threat in developing new antiaircraft systems.

With the introduction of the ROLAND weapon system the air force would have installation protection appropriate for the threat of the 1990s. ROLAND is a refined system which has proven itself for several years in the French and German armies and which has continued to be improved upon since its development during the 1970s. There is no argument about ROLAND's performance. Its participation in our coordinated air defense system, considering its firepower and effective range, appears to me to be thoroughly cost-efficient and, if necessary, capable of further improvement. What is more, it is available now!

At the same time we are also thinking about the development of the weapon system you have mentioned, which at the end of the 1990s is supposed to take over from HAWK in area protection and from ROLAND in facilities protection. We are starting a design phase for an "intermediate antiaircraft missile system (MFS)" in 1984. We visualize a mobile system with great firepower and jamming resistance which could deal with the threat from piloted and pilotless aerial vehicles and have strong survival capability. We could not however undertake a project of this magnitude all by ourselves and are therefore trying to obtain cooperation with the European framework.

WT: Protection of vulnerable points has lately become a subject of constant discussion in the air force. Much is expected of a German-American agreement about PATRIOT/ROLAND. What financially affordable alternatives are there for ROLAND, and which ones would you favor in case there should be no transatlantic agreement?

Eimler: As you know, we have been negotiating with our American ally since early this year to make possible, apart from an economically feasible procurement of the PATRIOT antiaircraft missile system in the United States, also the procurement of ROLAND for our air bases on FRG territory. ROLAND has been chosen because among available weapon systems it has the best performance in vulnerable point protection.

I hope and believe that our negotiations with the United States will lead to a mutually satisfactory result, and therefore to substantial performance improvements in our air defense, by PATRIOT in area protection as well as for facilities protection with ROLAND.

Should the negotiations with the United States unexpectedly fail to result in agreement, we are of course considering alternatives; but up to now, we have no alternative capable of equal effectiveness.

WT: What might some of these alternatives be?

Eimler: One alternative might be to advance aircraft development, to strengthen the flying component of air defense. Or further improvements of the HAWK, perhaps with some support from ROLAND. But all those alternatives, I'd like to emphasize again, are somewhat deficient in their effectiveness. There is no valid alternative for our planned mix of 90 fighter, PATRIOT, HAWK and ROLAND.

WT: With PATRIOT, we are always talking about 24 firing units or batteries--the same number as with the new obsolete NIKE system. Are that many batteries truly needed; isn't it true that for many years combat aircraft are not being replaced on a numerical one-to-one basis either?

Eimler: It is not true that the numerical decrease in aircraft is based on a threat analysis which indicated that fewer are needed. On the contrary--the smaller number has resulted from reductions in available funds. Since the threat has become greater and more effective (consider the higher performance of Warsaw Pact aircraft), we have, in PATRIOT with the cited number of batteries and with improved operational capability provided to PATRIOT by multiple targeting and greater mobility, a resource which is equal to the threat. We continue to plan on 24 firing units. That is what we need in order to provide increased coverage through redundancy.

WT: You are referring to the TKF as the "90 fighter aircraft." How far has the planning and decisionmaking process for this aircraft progressed in the air force? Does a tactical requirement exist? Have all concerned coordinated on it? What are your points of emphasis in this future major project?

Eimler: The designation TKF [Tactical Combat Aircraft] 90 was a working title and represented a direct translation of the original concept used by the IEPG working group of "TCA" (tactical combat aircraft).

The FRG air force has never permitted any doubt that the TCA/TKF was understood to be a fighter aircraft for air defense. In my opinion, the primary mission of this weapon system in our air force must be clearly expressed in its designation. The name "fighter aircraft 90" is therefore more explanatory and appropriate. It also indicates that air defense is the future point of emphasis in air force planning.

The tactical requirement is still in the process of formulation; coordination and the political decision will come later.

WT: Two more questions concerning the fighter aircraft, which result from your reply. Will you forego the air-to-ground capability; and what progress has there been in talks with other European air forces on the subject of the JF 90?

Eimler: The primary mission of the 90 fighter aircraft will unequivocally be its use as a fighter; apart from this, it will have a limited secondary role in air-to-ground combat.

The coordination process with the air forces of Great Britain, France, Italy and Spain is in progress and I hope that by the end of the year, or at the latest during the first few weeks of the new year, we will have agreement, which will by then also provide agreement on the tactical requirement. Thereafter, the inspector general, in his capacity as the minister's chief of plans, has to integrate the project into his planning process. The minister has promised to render his decision toward the end of the first 6 months of 1984 and will then present the program to the parliament.

WT: For air strikes, i.e., air-to-ground operations, we now have the ALPHA JET and TORNADO; for air defense we are planning PATRIOT and the 90 fighter. What about reconnaissance capability? What are your ideas on this? What technologies are available? To what extent are you thinking of reconnaissance by satellite?

Eimler: The air force's reconnaissance capability must be matched early on to the changes in the threat and the capabilities of the new weapon systems. In addition, the air force must comply in its reconnaissance mission with the growing requirements of the top political and military leadership--nationally and in the alliance.

Apart from taking corrective action for deficiencies on a continuing basis, the air force pursues three lines of action in the reconnaissance area:

- Combined management of all reconnaissance sensors and sources of information for the purpose of centralized analysis;
- Improvement in the survival capability and range of ground-based sensors;

- For the long term, replacement of the reconnaissance capability available with the RF-4.

However, all that covers a range of subjects which I am unable to discuss in public. All I can say today is this:

- we are engaged in comprehensive planning for the air force reconnaissance system;

- we are not pressed for time in all areas and do not therefore have to commit ourselves in all details;

- considerable parts of the improvement program of the reconnaissance system are in an advanced implementation phase or are at least in an appropriate planning stage for the intermediate term;

- some decisions concerning major portions of the overall package are yet to come; they are being prepared at present.

Thus far the air force has not considered participation in satellite systems. The air force's mission and interests dictate higher priorities for budgeting scarce financial resources for other types of reconnaissance systems.

9273

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PROBABLE 1984 ARMS SALES DECLINE FOR MATRA, DASSAULT, SNIAS

Paris L'EXPANSION in French 18 Nov 83 pp 73-83

[Article by Herve Jannic: "Great Concern About Arms Sales"]

[Text] Last month, Defense Minister Charles Hernu revealed that export orders recorded by the French arms industry declined 27 percent in the first 6 months of 1983. Order volume dipped to less than 20 billion francs compared with 26.4 billion francs during the same period in 1982. This is not a trifling sum, especially for a country like France that is desperately struggling to balance its foreign trade, and whose arms exports in 1982 produced a trade surplus--of approximately 20 billion francs--higher than that obtained from the sale of automobiles or agricultural and food products.

This sharp downturn is all the more surprising in that the French arms industry has always enjoyed an excellent reputation, that heightened international tension generally spurs arms sales, and that the Falklands war underscored the effectiveness of French missiles. Could the reason be that the French arms industry, like other industrial sectors, is losing its competitiveness? This is not yet the case, but disturbing trends are, nevertheless, weighing upon its future.

"The market is on the downside," explained Engineer General Cauchie, director of international affairs in the General Delegation for Armament (DGA). "After having gained their independence, Third World countries so overequipped themselves that now most of them are saturated. Unlike the major military powers that are compelled to keep pace with technological developments, these countries are not replacing their military equipment. This situation is compounded by the economic crisis. Everyone is penny-pinching, including the Persian Gulf countries. For some countries like Malaysia or Indonesia, such poverty is merely temporary. In Latin America, however, it will be lasting. Exceptions are those poor countries in areas of tension, such as Egypt, for instance." This is a sad note when one considers that the Third World accounts for three fourths of all French arms sales.

Customers are not only ordering very little, they are also not paying very well. Benno-Claude Vallieres, Dassault's chairman and chief executive officer, sorrowfully observed: "Those who used to pay cash are now buying on credit, and those who used to buy on credit are beginning to no longer pay anything."

Some of the most recalcitrant debtors are Peru, Morocco, and Iraq. "Even the Arabs realized they could be tightwads and still get along," said Gerard Hibon, Aerospatiale's (SNIAS) general manager for international affairs. As a result, sales are declining in profitability as much as in volume.

France does not even have the means of increasing its sales to wealthier customers and thus offset the severe slump in developing countries. Such former highly attractive markets as Libya, South Africa, and Israel are now closed to France for political reasons. As for the Western countries, all more or less linked to NATO, they have been an American "preserve" ever since the Belgians, Netherlands, Danes, and Norwegians signed "the deal of the century" [F-16 fighter contract] with Washington. Australia recently also swung over to the American side. The Spaniards and Greeks are still dawdling over a similar move. Contrary to rumors--beware of disinformation in such matters!--nothing actually says that Athens will opt for Dassault's Mirage aircraft, unless Greece absolutely insists--as is its custom--on being different from Turkey. The latter has just signed a \$40 million contract for the purchase of 160 F-16 aircraft from General Dynamics. Admittedly, in this case the Americans are supplying the aircraft and the money with which to buy them as well.

To Avoid Producing a White Elephant

DGA officials contend that "European cooperation is the only way for France to contain the American thrust. The Airbus program shows us exactly how we should proceed. Unfortunately, however, French manufacturers are opposed to such cooperation because a chairman and chief executive officer's number-one concern is his company's annual profit-and-loss statement which depends on exports (which pay) and not on cooperation (which costs)." The fact is that after making a good start with the antisubmarine warfare Atlantic aircraft and the Alpha-Jet tactical support aircraft, European cooperation is now dormant. Helicopter development and production cooperation between Aerospatiale and the British firm of Westland has slackened. And Dassault is known to have refused to participate in development of the Tornado interdiction-strike aircraft.

Benno-Claude Vallieres has a clear-cut opinion on the subject: "It is said that I do not favor cooperation. That is not true. I do, however, establish preconditions for this type of operation. First of all, there has to be agreement on definition of the product. This avoids producing a white elephant and makes it possible to set a price. This price must not be appreciably higher than the price we would obtain without cooperation. Countries participating in the program must agree to export. In this regard, I recall how we were unable to sell the Alpha-Jet to Finland because Germany was prohibited from exporting at the time. Lastly, somebody must be in full charge of the program. And if, for example, the program calls for development of a delta-wing aircraft, a field in which nobody has our experience, then Dassault should rightfully have priority position in the making of all technical decisions."

American competition is not a new phenomenon. Aligned against Dassault, the United States has no less than four manufacturers capable of building fighter aircraft: McDonnell Douglas, General Dynamics, Northrop, and Grumman. In addition, these American companies receive considerable governmental financial assistance in promoting export sales. In a period of economic recession, such a supportive asset can be decisive. If need be, these firms can afford to hire expensive and valuable middlemen. Lastly, the State Department is totally supportive of the industry.

This has not always been the case. "Carter was a godsend to France," recalled Emile Durand, the head of Matra's military division. Aerospatiale's Cauchie confirmed that "since Reagan's entry into the White House, there has been a very clear determination to recapture those markets France had taken over when the U.S. Army was entangled in Vietnam. Today, the smallest contract becomes the subject of a price war and political intrigue. For instance, the United States did its utmost--and it won--to prevent the Austrians from replacing their Mirage F1 aircraft with other French aircraft. We have seen the United States likewise return to Venezuela and Spain. And it is expected to return to Greece and Egypt."

Falklands-Thatcher Combination

France is not only up against a type of American aggressiveness that is more deadly than ever, it now finds itself opposed by a challenger it believed to be extinct, namely Great Britain. There are two reasons for the latter's resurrection: the Falklands war and Mrs Thatcher. Here is Gerard Higon's explanation: "Since World War II, the French have sought--and with success--to replace the British who no longer had either the stock-in-trade or the image. The Falklands-Thatcher combination had a tremendous impact on the international arms market. Great Britain now has an image and is beginning to have some stock-in-trade." Matra's Emile Durand concurred: "The British had fallen asleep. Mrs Thatcher put them back to work. They are now successfully selling 'warproof' arms they had not been selling for some 10 years." Dassault officials sum up the situation as follows: "Maggie is a darn clever woman! In some impressionable countries, her aura has replaced the memory of General de Gaulle." A recent example: it reportedly took merely a single phone call from the Iron Lady to convince the Indian Government to buy Sea Eagle [long-range sea-skimming] missiles despite the fact that it had opted for Exocet missiles.

Now that the British have regained their self-confidence, they do not miss any opportunity to belittle France. They made wonderful use of France's election of a socialist president to sow uneasiness in the mind of Arab leaders: "You certainly are not going to put your trust in a Marxist regime!" This approach was all the more successful in that at the official opening of the 34th Paris Air Show in late May 1981, some overzealous officials had removed anything resembling military equipment from all points on the president's itinerary. Such a blunder was readily exploited by Anglo-Saxon manufacturers. Ever since then, France has multiplied its statements in favor of arms sales, but the damage had already been done, at least to some extent.

As regards the Falklands, the British even had the nerve to use the French embargo on Exocet missiles destined for Argentina as a pretext for insinuating that France was not abiding by its obligations in case of conflicts! Again according to our good British friends, the four Harriers shot down over Port Stanley by Roland missiles--made by Aerospatiale--had really been the victims of fallen meteors. It is hard to see how such big lies can be believed. Nevertheless, repeated doses of such disinformation ultimately do hurt. Psychological action in military matters must not be underestimated.

Saturated markets, restraints on defense spending, payment difficulties, intensified American competition, and a revived Great Britain: such factors are more than enough to complicate the task of French arms manufacturers. The dip in export orders logged during the first half of 1983--and most likely to continue throughout the second half unless there is some miraculous contract--has not spared any of these manufacturers. Orders garnered by Dassault since the first of the year totaled 11 billion francs as of end-September. There is little time left for that company to equal its 1982 record of 18 billion francs. Matra executives acknowledged that for the first time in 10 years, their military division will hire no new employees next year. Aerospatiale's helicopter division continues to slump and--a new occurrence in 1983--missile sales have dropped sharply.

The dip seen in aircraft, helicopter, and missile sales is even worse for other types of defense equipment. Shipyards are living on their old contracts. France has sold practically no ships since 1980 when Saudi Arabia signed a 4-billion franc contract for four frigates and two replenishment fleet tankers. Construction of patrol boats and other "Cherbourg"-class fast attack craft are no longer a profitable business because the only interested customers are on a black-list. No more submarines have been sold since the contracts with Spain and South Africa. As for army-type equipment, the days of huge sales of AMX-30 tanks are gone. On the other hand, we are still exporting complex integrated systems each worth a small fortune: AMX-30 tank chassis + Crotale or Roland missiles + fire control computers + radars. We are likewise selling such light armored vehicles as the AMX-10 and VAB [wheeled forward-area armored vehicle], as well as heavy artillery: tractor-drawn 155-mm gun and self-propelled rapid-fire 155-mm gun.

One Big Contract More or One Big Contract Less

Oddly enough, armament circles are not unduly concerned about the gloomy worldwide arms market and France's mediocre 1983 performance. There are two reasons for this relative serenity. The first, according to DGA officials, is that different years must not be compared with one another, but instead we must look at the medium-term trend. One big contract more or one big contract less is enough to turn military export contract statistics topsy-turvy. For example, 1982 was a good year thanks to Dassault's Indian contract; and so was 1980 thanks to the Saudi naval contract. As a matter of fact, if we set aside the exceptional highs and lows, export orders have practically not varied in volume since 1974. Hence it cannot be said that French competitiveness has plummeted.

The second reason for French optimism is that the international arms market is cyclic. Every cloud has a silver lining. According to Emile Durand, "we are now at the low point and will still have another 2 difficult years. But the situation will start improving in 1985." In Gerard Hibon's view, "even if we fail to regain either the magnitude of former contracts or their corresponding profit margins, sales will indeed eventually improve." Benno-Claude Vallieres is even more confident: "Demand cannot help but grow at a sustained rate. Even the poor countries will manage to find the money to arm themselves. Look at India: When it bought Ouragan aircraft from us some 30 years ago, we thought it would never be able to afford anything better. Yet India recently ordered 40 Mirage 2000's, with an option on 150 aircraft!" In short, the 27 percent decline in export orders during the first half of the year must be viewed in relative terms. Top DGA officials and defense hardware manufacturers all concur in saying the main point is that the French arms industry continues to retain its two principal assets: good products and "a certain image of France" projected in other countries.

There is no reason to worry about our image. Export trade professionals are always on the move and thus in a good position to assess that image. According to them, France is still considered to be a major military power with no allegiance to either Moscow or Washington. Better still, the government unreservedly supports its exporters, as indicated by the following comments heard here and there: "The government's political assistance to our export trade has never been so effective." "The Elysee Palace did not lose its nerve in handling the issue of delivering Super Etendard aircraft to Iraq; its action was altogether proper in our view." "Hernu has all the enthusiasm of a neophyte. He gets a thrill merely by touching the fin of a missile." Moreover, France's military presence in Chad and Lebanon cannot help but enhance an already positive image.

This is an important point because, as Matra's Emile Durand explained: "Where armaments are concerned, political considerations often take precedence over the quality of the material." In France's case, this can be both an advantage and a disadvantage. An advantage when the customer--a Third World nation, for example--insists on not marking itself politically; or again when technical assistance is involved and the customer prefers discreet aid to the ponderous presence of American or Soviet "advisers." But at times it is a disadvantage, as we have seen in the case of NATO-related European markets and contracts, because the best product in the world has no chance when everything is settled in advance.

France does not always have the best products in the world. Nevertheless, the fact is that, along with the United States and the USSR, it is the only country to have mastered the technology of nuclear weapons--which it does not sell, but which enhance its reputation--combat aircraft, and military electronics. In fact, this is enough to account for its standing as the world's third ranking arms exporter.

It is common knowledge that Dassault is responsible for a great deal of France's successful export sales. An aircraft like the Mirage 2000 is worth 130 million francs, and that is for the airframe alone. The total price tag comes to

250 million francs when we add spare parts, weapons, customer service, and technical assistance. In fact, the price of an aircraft has no meaning unless we specify how it will be equipped and armed, and equipment and weaponry vary from one contract to another. For example, a Mirage F1--whose airframe costs only 75 million francs--can turn out to be more costly than a Mirage 2000 if it is better equipped. The whole art of aircraft salesmanship consists in first hooking the customer with a basic or stripped-down model and then raising the ante by offering more and more costly options. A case in point is the Mirage 3NG--NG=new generation--recently introduced by Dassault and known as the poor man's Mirage 2000. Officially, it is an aircraft meant for export. In reality, the Mirage 3NG is designed more to bait the customer than to be sold. This is exactly similar to what happens when a Renault dealer succeeds in selling an "Electronic" automatic R 11 with metallic paint (75,000 francs) to a customer who came into his showroom to buy the basic R 11 (47,000 francs).

More than being an airframe manufacturer, Dassault is a master assembler in that it has to master all the technologies that go into making a quality combat aircraft: jet engines, airborne electronics, missiles, etc. In this regard, Dassault's Benno-Claude Vallieres is exceptionally well placed to evaluate the products and services of his industrial partners: "The first engines built by SNECMA [National Aircraft Engine Design and Manufacturing Company] were designed for high altitude flight and were long marked by their low thrust rating and high fuel consumption. When the international market began moving toward multipurpose aircraft and low altitude penetration, SNECMA modified its engines accordingly. The Atar 9K50--which powers the Mirage 3, 4, F1, and NG aircraft--already constitutes a major improvement. The M53 engine--on the Mirage 2000--is even better. When SNECMA's M88 engine becomes available in 1985, we will at last be able to vie with the Americans. As for airborne radars, Thomson is making progress in developing its RDI (pulsed Doppler radar) that can eliminate ground return. This project has a miniaturization problem that will soon be resolved. As for weapon systems, we are in good shape thanks to SAGEM's [Company for General Applications of Electricity and Mechanics] inertial platforms and the electronic countermeasures systems developed by Thomson and Serge Dassault Electronics. As for the weapons proper. Matra's Magie [air-to-air missile] more than equals the American Sidewinder. Matra's Super 530 [air-to-air missile] is also a very good weapon, as indeed are Aerospatiale's Exocet and AS30 missiles."

Matra officials gratefully accepted Dassault's compliments but, nevertheless, did not return them. "Dassault," they said, "made the mistake of designing aircraft exclusively according to France's requirements. Hence their short operating range and inadequate maneuverability, and their radars that do not function at low altitude. Another mistake: Dassault executives pushed development of the Mirage 2000 too rapidly, thereby eclipsing the F1. Now, all they are talking about is the 4000--a plane that will never be produced--thereby casting a shadow on the 2000. Fortunately, Dassault's international image is still intact. The company may perhaps have been inordinately pampered. Perhaps it lacks a competitor on the French market. Look at France's excellent status in the missile field. The reason for this standing? It is because there is real competition between Matra and Aerospatiale." In fact,

Matra has already exported 600 Otomats and Aerospatiale 1,300 Exocets. At 10 million francs a piece, this comes to a great deal of money.

In this business, prices climb very rapidly: 30,000 francs for a small missile like the [antitank] Milan, 200,000 francs for the Durandal runway attack weapon, 10 million francs for a sophisticated missile, 15 million for a Puma helicopter, 20 to 30 million for an Alpha Jet trainer aircraft, 100 million for a "Cherbourg"-class fast attack craft, and more than 200 million for a fully-equipped fighter aircraft. Let us return to the Durandal for a moment. Built by Matra, this weapon is designed to penetrate a runway and then raise its concrete slabs. The Pentagon recently ordered \$10 million worth of these weapons. But this is only an initial contract. If the U.S. Congress approves funding for the subsequent contracts, Matra will garner a total of some \$1 billion dollars from this sale. For a customer to agree to pay such an astronomical sum, the equipment purchased has to really be up to the mark.

Public Opinion Hostile to Arms Merchants

Another of France's advantages is the competitors it does not have. I refer to Germany and Japan. Defeated in World War II, these two countries were compelled to keep a low profile in armament matters. In addition, they now have to reckon with public opinion hostile to arms merchants. As a result, German and Japanese manufacturers merely equip their own troops when the latter do not procure American equipment.

For example, Germany's virtual absence from the world market for tanks is a real boon to France whose arsenals cannot favorably compete with a firm like Kraus-Maffei. It was not by accident that Bonn broke off its negotiations with Paris on production of a Franco-German tank. "We are not on a level with the Germans in this field," DGA officials conceded. "They are several lengths ahead of us. If they began selling their tanks, we would no longer sell a single one. Not only are they the best, but the glory and glamor of the panzer divisions still surrounds them. The same applies to their submarines. Although the latter are not superior to ours, they have inherited the prestige of the U-boats."

Under these circumstances, it is no surprise that France is the world's third ranking arms exporter. Who could possibly vie with them for this standing when Japan and Germany are out of the race and other competitors--Great Britain, Italy, Spain, Israel, and Brazil--trail far behind? "What is satisfying, however," GDA officials explained, "is the fact that despite the entry of new competitors, today France continues to hold 7 percent of the world market as it did yesterday."

Yet nothing says it will be able to retain this share of the market. The number of new competitors are, in fact, liable to increase through the expedient of technology transfers. For the past few years, it has become practically impossible to obtain export contracts without agreeing to grant customers an offset in the form of part of the production work, and hence some technology. DGA's Cauchie philosophically concluded that "our present-day

customers will, therefore, be our future competitors, but our choice is that or nothing."

The changing Defense Ministry budget also poses serious problems for French arms manufacturers. If defense equipment funds should be reduced, this would hurt our exports in that it would increase the cost of equipment--because of shorter production runs--while making an unfavorable impression upon our foreign customers. Yet export sales are a vital necessity to our arms industry. As Aerospatiale's Gerard Hibon explained: "Aerospatiale exports as many helicopters as Bell, Sikorsky, and Hughes Aircraft combined. And it's a good thing because this year we received orders from the French Government for merely three Super Pumas, some 20 Gazelles, and not a single Dauphin, whereas American manufacturers are all sharing in a multiyear program for 1,000 helicopters. With such a workload, they have no need to export. Ditto for Great Britain where the domestic market accounts for 40 percent of Westland's sales compared with less than 10 percent for us.

Everything Required for the 1990's

Admittedly we must not complain before being hurt. Nevertheless, in France the increase in defense spending is now limited to 6.6 percent in current francs. If prices rise more than anticipated, if our armed forces' operating expenditures rise in turn, and if our paratroopers long remain in Beirut and Chad, then defense equipment funds will get the worst of it. This is a disturbing prospect when we know that it costs 1 billion francs to develop a new missile and that neither Matra nor Aerospatiale are able to finance such development unless the government pays at least 60 percent of the bill.

Yet Matra's Emile Durand tries to remain optimistic: "Considering the innovative projects Matra has in preparation, the government cannot play possum. We already have designs and drawings for everything required for the 1990's. While we cannot make everything, we still know how to make everything."

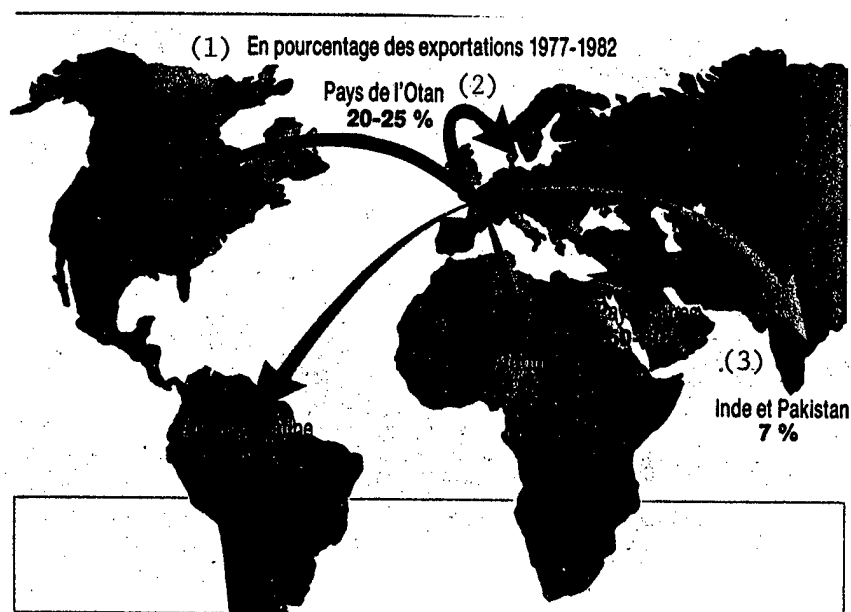
All in all, the future of French arms exports is not unclouded. The next few years are even liable to be difficult. But defense requirements and the appetite for arms are such everywhere that international demand can only increase. France has the political and technical assets enabling it to obtain its share of that increase. No other industrial sector in our country has the same chance.

General Delegation for Armament

The General Delegation for Armament (DGA) is a Ministry of Defense agency directly responsible to the defense minister. It exercises oversight authority over arsenals, naval dockyards, as well as semipublic and private companies of the arms industry. The DGA is headed by Emile Blanc. It is essentially responsible for supplying the French armed forces with the arms they need. One of its functional directorates, the International Affairs Directorate (DAI), is headed by Marc Cauchie. It has the mission of promoting French arms exports. The DGA's influence is enhanced by the fact that a good number of its former top officials now hold important positions in industry. For instance, Henri Matre, Emile Blanc's predecessor, was appointed chairman and

chief executive officer of Aerospatiale last May, replacing General Jacques Mitterrand. Likewise, two former directors of the DAI, Hugues de L'Estoile and Gerard Hibon, are responsible for export matters at Dassault and Aerospatiale respectively. Hence we have a veritable military-industrial complex whose advantages largely outweigh its disadvantages according to impartial observers.

Destination of French Arms Exports

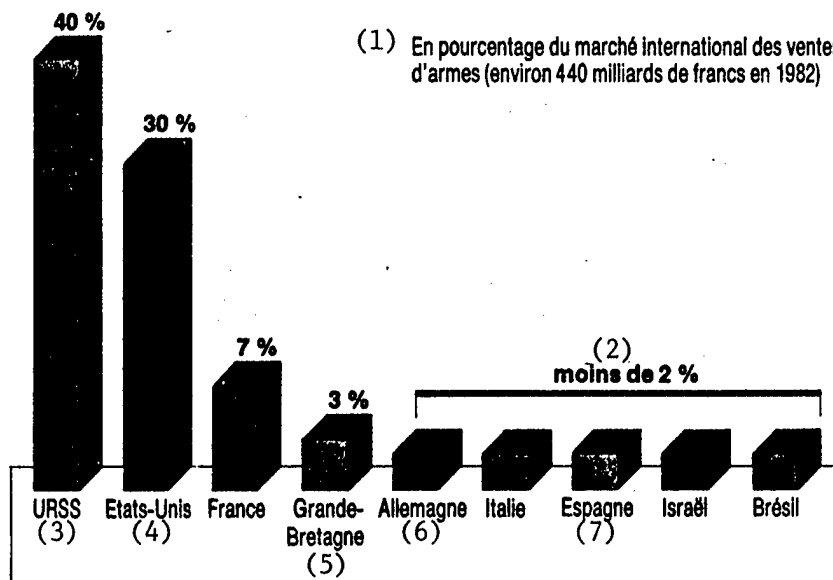


Key:

1. In percentage of exports 1977-1982
2. NATO countries
3. Arab countries

Granted that France is the world's number-three arms exporter. Yet it is far behind the two leaders, the USSR and the United States. Moreover, it owes this bronze medal to the fact that neither Japan nor Germany are in the race, or very little in the case of Germany. Look out for Great Britain!

Leading Arms Exporting Countries

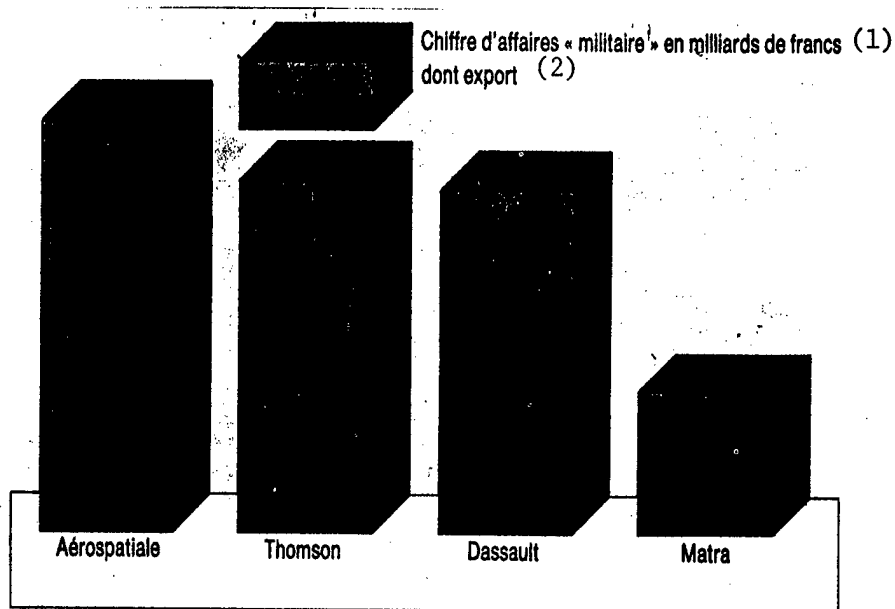


Key:

1. In percentage of world arms sales market (approximately 440 billion francs in 1982)
2. Less than 2 percent
3. USSR
4. United States
5. Great Britain
6. Germany
7. Spain

Year in, year out, nearly 80 percent of our military export sales are to Third World countries. More than 50 percent of our exports go to Persian Gulf countries alone. Such an imbalance definitely has political and financial drawbacks.

Leading French Arms Exporting Companies

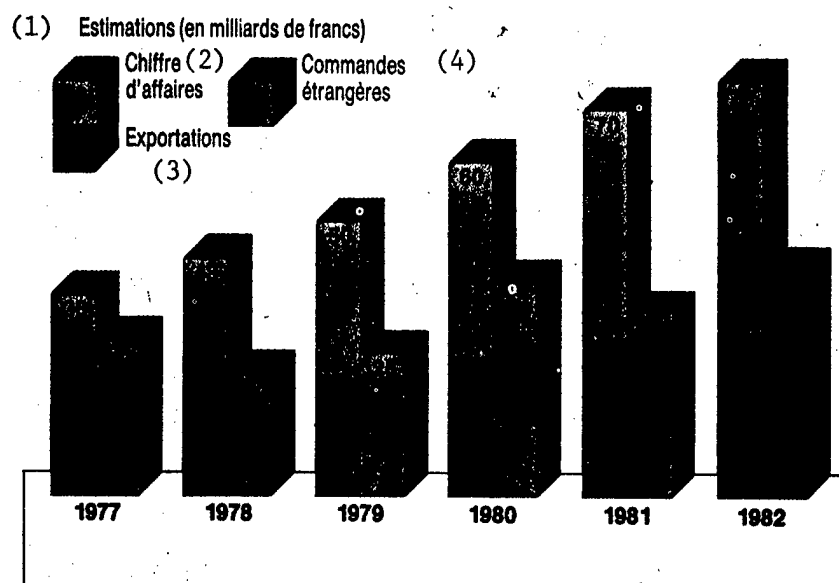


Key:

1. Volume of military business in billions of francs
2. Export sales

The combined military business of Aérospatiale, Thomson, Dassault, and Matra accounts for nearly 50 percent of the French arms industry's total volume of business. This concentration is even more pronounced--75 percent--for exports.

French Arms Industry



Key on following page

Key:

1. Estimates (in billions of francs)
2. Total volume of business
3. Exports
4. Foreign orders

This steady growth in current francs was associated with a quasi-standstill in volume. In the light of the world economic recession, however, the French arms industry did not prove blameworthy. Maintaining its activity and its exports is already an achievement.

8041

CSO: 3519/157

NEWSPAPER BACKS WARNINGS ON FUNDS SHORTAGE BY FORCES' CHIEF

Oslo AFTENPOSTEN in Norwegian 30 Dec 83 p 2

[Editorial: "Needs of the Military"]

[Text] The defense chief, Gen Sven Hauge, has no reason to apologize for expressing, on behalf of the military, a certain amount of impatience with regard to the current situation. It is his obvious duty to speak out on what he thinks the military should look like ideally and to point out present shortcomings. This is particularly justified whenever we experience a relative decline in our defense capabilities. The defense chief is supported by many military experts in his contention that this is precisely what is happening now.

If we take a closer look at the various branches of the military and consider their tasks, shortcomings, and needs, we must unfortunately conclude that there is a considerable disparity. This disparity probably is greater today than it was when the defense minister's own party, the Conservative Party, was in opposition and spoke out strongly in favor of increasing our defense capabilities.

Considering the present situation, it obviously is troubling that only 20 percent of the defense budget is used for investments. The defense chief makes no attempt to hide the fact that this is too little. He stated in a New Year's interview with NTB (NORSK TELEGRAMBYRA) that, in his opinion, investments should be increased to about 30 percent. Many will agree with him on this score.

Of course, this raises the question that the defense chief himself brought up: Either the military must be restructured or its budget must be increased by several billion kroner with which equipment could be purchased. Norway must come up with these funds. One important reason for this is to raise the nuclear threshold as high as possible. In the light of the recent debate on security and nuclear disarmament, it seems to us that the point just made above is one argument the authorities could use to their advantage.

While we are on the subject of New Year's interviews, we might also mention our own conversation with Defense Minister Anders C. Sjaastad just before

Christmas. The defense minister took that opportunity to dispute the assertion that we have a poor defense system and that it is characterized primarily by a shortage of funds. We are unaware that anyone has expressed such an overly simplified and one-sided negative view of our military as the one Sjaastad referred to. Of course, the Norwegian defense system is not poor and no one is arguing from that standpoint in the debate.

If we ever are to have a serious debate over the military and the goals of our defense effort, then we must at least be willing to analyze conditions as they actually are. We believe it is proper to point out the shortcomings but, at the same time, we must also indicate what tasks our defense system is facing. Without this type of information it probably will become more and more difficult to convince people of the need for a greater defense effort--and, as we know, that is one of the defense minister's responsibilities.

9336

CSO: 3639/54

POLL FINDS MOST OPPOSED TO CUTTING MILITARY APPROPRIATIONS

Oslo AFTENPOSTEN in Norwegian 6 Jan 84 p 5

[Article by Bjorn Balstad]

[Text] In a post-election survey for AFTENPOSTEN, the respondents were asked to evaluate various proposals, using a key indicating various degrees of support or opposition to the proposal. One of the proposals was: "Reduced military spending."

Responses:	%
Good, extremely important to carry out	15
Good, relatively important to carry out	18
Not interested in this issue	15
Poor, relatively important that it not be carried out	23
Poor, extremely important that that it not be carried out	22
Undecided	7
Total	100

Thus, 33 percent wanted reduced military spending, while 45 percent did not.

In the following groups, there were more for reduced military spending than there were against:

	For, %	Against, %
Trondelag and Northern Norway	40	34
Family income under 100,000	39	36
Labor Party voters	39	35
Socialist Left voters	72	11
Liberal Party voters	42	34
LO (Federation of Trade Unions) members	46	37

In all the other groups in which the material is arranged, there are more people against than for reduced military spending.

Defense and security policy were not prominent in the campaign preceding the elections last fall. Nevertheless, this topic was considered the second most important of eight campaign issues indicated--second only to higher employment levels. The people are divided into two camps of approximately the same size on the controversial dual decision, but more people are against than for reduced military spending. The Conservative Party enjoys the support by far the most voters who believe that security policy and Norway's relationship with NATO are most important.

9336

CSO: 3639/54

MILITARY

NORWAY

BRIEFS

'YOUTH FOR NATO' BEING ESTABLISHED--Youth for NATO will be officially constituted on 18 January. The new organization was started in November by seven school children in Sunnmore. Today it is reported to have 50 members. The founders recently turned to the nationwide political youth organizations for assistance in spreading Youth for NATO material. The Young Conservatives and the Center Party Youth declined to offer assistance, however. Locally in More and Romsdal, however, the youth organization of the Christian People's Party has sent the organization's material to all its local associations. Arne Sletteboe of Friends of NATO/Libertas will speak on the "State of the World" at the official founding of the organization. [Text] [Oslo AFTENPOSTEN in Norwegian 6 Jan 84 p 5] 9336

CSO: 3639/54

ARMY PERSONNEL BEING REDUCED, SALARIES ON UPSWING

Madrid ABC in Spanish 29 Dec 83 p 23

[Text] The reduction of land army forces is already in progress. In the next 6 years, 6,300 commanders, commissioned and noncommissioned officers will have retired from the armed forces or will be in the active reserve, on the basis of a special temporary plan to be eliminated later. However, those remaining will have seen an increase in their wages to the point of making them equivalent to those of civilian government employees.

This is the result of the two draft laws approved by the last Council of Ministers meeting of this year. The first, the Permanent Staff Law, only affects the land army. The second, the Payment Law, will be generally applicable to all the armed forces. Minister of Defense Narciso Serra explained to newsmen yesterday that there is no "cause and effect" relation between the two draft laws.

In the interpretation of the government, as Narciso Serra explained it, the Permanent Staff Law seeks only to achieve balance within the command cadres, in terms of two conditions or factors: the operational efficiency of the army and the expectations of recent enlistees for promotion. "We must seek the perfect pyramid, which is in some cases upside down," the minister explained.

The ranks most affected, therefore, will be those of colonel, general and lieutenant general. For example, the permanent staff plan calls for a reduction in the number of lieutenant generals from 19 to 10, or 47 percent, while the reduction for the rank of captain will be only 17 percent and that for sergeants 5 percent.

Another new aspect in the law is that, for the first time in the history of the army, there will be a permanent staff plan.

In other words, promotions will not be based on years of service, but will depend on vacancies open. The surplus officers will have the option of voluntary transfer to the active reserve.

With regard to the wage law, Narciso Serra explained that its guidelines were mainly political, since "the decision to equalize wages, instead of promulgating a special regulation for the armed forces, was political."

The salary range for the armed forces will parallel that for civilian employees, with a ratio of 1 to 3 between the lowest and highest (it has to date

been 1 to 2.7), and a brigadier general will be on the same level as an assistant director of a state department, and a noncommissioned officer with a civilian employee with a higher baccalaureate degree. This will mean some increases in real wages, ranging from 15 percent for a brigadier general to 11 percent for a noncommissioned officer in the first year. Similarly, the payment categories will be simplified from 400 in the present to 35 in the future, and the payment of bonuses will be based on the post held rather than title or theoretical background.

5157

CSO: 3248/157

DE CLERCQ ON UNEMPLOYMENT, DEFICITS, TAXES, IMF

Brussels L'EVENEMENT in French Dec 83 pp 30-33

[Interview with Finance Minister Willy De Clercq by Jean-Claude Ricquier:
"A Model of Constancy: Willy De Clercq"; date and place not given]

[Excerpt] [Question] It will soon be 2 years since you devalued the Belgian franc, something that had not been done since 1949. How do you today assess the effects of that devaluation?

[Answer] My assessment is a positive assessment. And first of all because that devaluation was not an isolated measure. It would have been a serious error to have limited ourselves to devaluing the Belgian franc: an easy solution that would have been nothing more than wasted effort. On the contrary, we accompanied the devaluation with a series of measures designed to strengthen our firms' ability to compete, to put them in a position to capture bigger shares of the market and at the same time better defend themselves on the domestic market. If you add to the devaluation the decisions that were made with regard to moderation as concerns wages and in the tax domain, which have greatly contributed to restoring our company directors' confidence, you will understand why we have succeeded, in terms of ability to compete, in restoring the pre-1974 situation in our industry, that is, the one that preceded the oil crisis. The rather spectacular results that have been recorded in our foreign trade are there to stand witness to the success of this policy. And these results are, of course, contributing to the renewal of confidence in the Belgian franc.

[Question] You conduct a policy of austerity. In your opinion, in which sectors is it most successful? And which are the ones in which the results may seem disappointing to you?

[Answer] To outline it for you, I would say that there are four major objectives in the government's policy: restoration in general of our economy's ability to compete, stabilization of the balance of payments and promotion of employment, in short, cleaning up the nation's finances.

As concerns the first two objectives, I do not hesitate to say that our policy has met with real success. Success that produces astonishment and even admiration abroad. As for the other two objectives, their success is less apparent.

The unemployment rate is still, unfortunately, very high. This is not a Belgian phenomenon and I've noticed that the growth in the number of jobseekers has really diminished. I add that a certain number of government actions already implemented or announced have permitted us to save tens of thousands of jobs that would also have been lost without them. But, of course, I admit that that is only a meager consolation for the 500,000-odd fully unemployed workers we have in our country.

By comparison with others, we are nevertheless making slight progress: In 1981 Belgium had the second highest rate of unemployment among the Western European countries, after Ireland. Today we are only fourth, having been "passed" by Great Britain and the Netherlands. That is, to be sure, but a meager achievement, which is why, alongside the measures designed to spontaneously revive employment, we have set in motion an original job time-sharing policy, drafted by Mr Hansenne, by means of which we expect to obtain some 30 or 35,000 new jobs. Now as far as cleaning up the nation's finances is concerned, we are pursuing the objectives we set ourselves in 1981. But we will not succeed in bringing the growth rate of the national debt down to 7 percent of the GNP by 1985. That rate is our objective, but we won't achieve it as fast as all that. But we have succeeded in stopping the expenditure explosion and the chain reaction of successive and ever larger budget deficits. We already control the flow of expenditures and it is no longer those produced elsewhere that constitute our chief concern, rather the tax deficits, these being the product of a mediocre economic situation and a GNP growth rate that is clearly lower than anticipated. I must say that in our cleanup program, so hard for the population to accept, we haven't been helped by either the national situation or the international climate. We have in fact been forced to develop our cleanup program in a glum, even depressed international economic situation. The same has been true on the domestic scene. The government was right from the start confronted with problems which it was absolutely impossible to any longer continue to dodge. Thus there were the problems posed by appropriations for the communities, regions and communes. This year alone, the budgetary impact of these local and regional appropriations will amount to 17 billion and I anticipate a similar figure for next year. In the form of supplementary expenditures or tax deficits like, for example, those produced by the inheritance tax, the impact on the national budget will be 34 billion for 1983 and 1984. This means that, if these financial problems, the responsibility for which is not incumbent on the national government, did not exist, expressed in terms of the GNP, the net balance to be financed would have been very definitely below the current figure.

[Question] Ten years ago, in 1973, when you were minister of finance in the Leburton government, the national budget amounted to 400 billion. Today the budget deficit exceeds that figure by some 50 billion! And as for the budget, it has more than tripled. Do you feel that there has been a comparable increase in national needs in the other industrialized Western countries?

[Answer] The expansion of expenditures and budgets and the growth of national deficits are general phenomena, not only characteristic of the industrialized countries, but of all the countries in the world. But I admit that in Belgium this phenomenon had assumed more than disturbing proportions since our deficit

had attained a figure of 13 percent of the GNP, as against a European average of under 6 percent. And when I cite the figure of 13 percent, I'm not talking about the national government's budget deficit since, if we add all of the local government, the deficit would have amounted to 16 percent of the GNP. In comparison, the U.S. budget deficit, which everyone declares is enormous, amounts to about 5 percent! But since the savings account rate is very high in Belgium, much higher than it is in the United States, financing the deficit is easier for us than for them on the other side of the Atlantic. This does not preclude the fact that the cleaning up of national finances must from now on be one of our priority objectives.

[Question] We note that austerity is being imposed in all countries. Do you feel, as Mr Mauroy does, that there is an austerity of the Right and an austerity of the Left? Or do you feel that the policies of the French and British governments, for example, are after all similar?

[Answer] In several European countries they have pursued a leftist policy which I would in outline describe as post-Keynesian, namely a policy of increasing intervention on the part of the administration, which has engendered a considerable rise in expenditures and, therefore, ever greater tax pressure. As for us liberals, we think that the administration ought to lessen its hold on economic activities and that it must encourage private initiative more. These are roughly the two economic policy conceptions as we have been able to observe them in practice in our countries. But in light of the crisis we have been going through for some 10 years now, experience indicates that the post-Keynesian, omni-interventionist policy has proven to be a calamitous one. It is that policy that has engendered the awful deficits we are familiar with and in their wake more and more intolerable tax pressures. We may, furthermore, note that during this period of crisis the parties of the Left, who are responsible for governing, have abandoned the interventionist policy for a policy of austerity, that is, a policy that tends to lessen the state's hold since it provides the administration with less funds. Thus, for example, Mr Delors who is now pursuing a neoliberal policy in France.

The same thing is happening in Denmark as it is in Great Britain, in the Netherlands as it is in Belgium.

[Question] Most Belgians are required to pay their taxes this month. You probably agree that they are pretty stiff. Do you think that your austerity policy might one day go hand in hand with direct tax relief?

[Answer] I believe that we will have to go to such relief since the present mode of taxation dampens incentive and is well-nigh vexatious. Just the opposite of what is being done today, we must encourage and provide incentives for those who are the brains and nerve centers of our firms and our economic life in general. At the present time our tax system is obviously not moving in that direction. This is why I introduced the Monory category into the Belgian tax system and it is why I've added a new category covering the deductibility of shares and company stock of firms for which the holders of these shares work. Also involving 40,000 francs plus 10,000 francs per dependent, this is a permanent provision. And since this deduction almost always affects the marginal

income bracket, it represents a significant reduction of tax pressure. In the same spirit I've proposed to Parliament that the amount deductible for professional charges be raised from 75,000 to 125,000 francs. This too is a provision that favors managerial personnel since it concerns earnings of over 900,000 francs. I admit that these are indirect and inadequate measures, but we do not for the time being have the wherewithal to pursue a more radical tax relief policy.

[Question] What is the finance minister's reaction to the PSC [Christian Social Party] proposal to index the tax tables?

[Answer] That's a very old proposal. It's the exclusive property of no single party. I'm convinced that every political party has at one time or another written this sort of indexing into their election platforms.... But I remind you that the problem of the budget nonetheless remains with a deficit of over 500 billion. We must realize that tax deficits cannot be planned until they can be compensated for by supplementary economies. And this is the question I put to those who propose the indexing of tax tables: Where are they going to find such compensations and what are the specific measures for economizing they propose to keep from further increasing the net balance to be financed? I add that, as I see it, indexing tax tables is not enough. We would also have to get rid of the anomalies that are found in these tables, particularly the quite disproportionate pressure we find as concerns marginal rates.

I therefore feel that, before indexing the tax tables, we would have to reduce the tax pressure that is exerted on the higher income brackets, pressure that today can go as high as 72 percent, not including the commune tax. Review of this marginal tax system is, moreover, included in the government's program. And it is only after this review that we can think of indexing the tax tables.

[Question] You have just added the responsibility of being president of the International Monetary Fund (IMF) to your Belgian political responsibilities as vice prime minister, minister of finance and minister of foreign trade. Can all these be readily added to one another?

[Answer] The interim presidency of the IMF is not a full-time position, but it can only be held by a minister of finance. In other words, if tomorrow I were no longer minister of finance, I would automatically lose the position of president of the IMF. Furthermore, if that presidency has become vacant, it is because Mr Geoffrey Howe left the Secretariat to the Treasury to become foreign affairs minister in the Thatcher government. As for the policy I would like to have prevail, it is this: The IMF plays the role of a catalyst of capital in order to settle the balance of payments problems every country in the world is confronted with, particularly the poorest countries. I would from now on like it to also contribute to the supervision of an international monetary system.

Recently somewhat neglected, this second mission consists of seeing to it that there are no erratic currency fluctuations and of maximally favoring stability of international exchange rates.

NEW SCHLUTER GOVERNMENT TO FACE DECISIVE ECONOMIC ISSUES

Most Forecasters Optimistic

Copenhagen BERLINGSKE TIDENDE in Danish 6 Jan 84 Sec III p 1

[Commentary by Frank Dahlgaard]

[Text] When the Folketing election is over and the budget has been dealt with, Denmark will experience an economic spring that will put all the doomsday forecasts to shame.

The year 1984 will be one in which most forecasters will have to blushingly admit that their gloomy predictions for the Danish economy did not come true.

The fact is that the long-awaited economic upturn is finally getting under way in Denmark. The people who deny the many positive tendencies in the Danish economy are denying the facts.

And there are many who close their eyes to the cold facts and deny their existence during the current fiery election campaign.

This is true of unemployment developments, for example.

It is an indisputable fact that seasonally-adjusted unemployment has remained around 280,000 people out of work ever since April 1983.

Even so, the Social Democrats claim that unemployment is rising. The only problem is that it is not, although a good many reputable forecasting institutions are predicting a growth in unemployment from 1983 to 1984.

Pessimists

This is true of such groups as the Council of Economic Advisers, which predicts an average unemployment level of 312,000 in 1984, compared to 285,000 in 1983.

This is also true of the government's own economists in the Budget Department, who in line with the new Christmas report from OECD estimate a 1984

unemployment level of 305,000. And this is also true of the labor movement's Business Council, which predicts a 1984 unemployment level as high as 316,000.

It will have to be a task for future analysts to explain how so many forecasters can predict a much higher unemployment at a time when the economic upturn is already thundering in our ears.

Why in the world should unemployment suddenly start to rise sharply after 9 months of stagnation when private consumption, home construction, business investments and exports are all clearly picking up?

Growth of Labor Force

Some economists point to the slowdown in the public sector and the steadily rising influx on the labor market. But these economists have totally overlooked the fact that as far as we can judge there is a definite connection between the growth in the public sector and the growth of the labor force:

If growth is checked in the number of public jobs and with it the number of childcare institutions, hospitals, nursing homes, etc.--there is presumably also a slowing effect on the number of people (women) joining the labor force.

It is noteworthy that a growing number of prominent economists and institutions have begun to reject the views of the economic pessimists.

This is true for instance of future economic adviser Niels Thygesen, who has taken exception to the latest report from the economic experts. Things will not be that bad, in his view.

This is true of National Bank director Erik Hofmeyer, who made it clear at the December meeting of the Economic Council that people at the National Bank believe in a more positive development in employment and housing construction.

OECD Revision

This is also true of former Finance Minister and OECD Director General Thorkild Kristensen, who feels that the economic cooperation organization of the western world would present a more positive forecast for the Danish economy if the figures in the OECD Christmas report were revised today.

And in fact OECD economists did concede to BERLINGSKE TIDENDE (4 January) that economic growth will be greater and unemployment smaller in 1984 than previously anticipated. They added that the OECD Christmas report had been presented too negatively in the Danish media:

"The right things are now fueling the Danish economy, namely investments and exports," they told BERLINGSKE TIDENDE.

Finally, the Industrial Council's competent economists have long said that there is no reason to believe in any increase in unemployment in 1984. On the contrary, it is more likely that unemployment will start to decline.

In 1983 we experienced the biggest easing in currency policy since the end of the war, with an interest decline without precedent and very substantial easing in access to consumer, homeowner and business loans.

Enormous Interest Decline

Results have also been visible in the form of a sharp increase in auto sales, shop sales, home sales, new construction and business investments.

Bankruptcies and payment suspensions have fallen markedly in recent months. Business production and order backlogs are picking up and in the last three quarters of the year employment has increased so much that it has matched the influx of job seekers to the labor market. As mentioned above, the result has been an end to the rise in unemployment.

When the election of 10 January is over and when the 1984 budget is "voted into place," to use Prime Minister Poul Schluter's words, the way will be clear for another interest decline and an acceleration in the upturn that has already begun.

Inflation at Record Low

There is every indication that in 1984 we will experience a record low inflation and marked economic growth in the private business sector.

Taxes and fees will stream into the treasury this year at a higher rate than budgeted and unemployment compensation payments and social assistance expenditures will be lower than anticipated. The decline in interest rates will also ease the state's interest burden.

The economic gains will automatically mean that the large gap between the state's revenues and expenditures will be lessened--thus the national deficit will be substantially lower than budgeted in the budget act that was voted down.

On the other hand, product imports and the foreign exchange deficit will grow more than anticipated as a result of the upturn in investments, production and consumption.

If in addition to this development, we had the happy circumstance of seeing a decline in the exchange rate of the dollar, foreign interest rates and oil prices--and this is definitely within the limits of probability--1984 will quite simply be a year of economic jubilation.

Under any circumstances, the economic pessimists will have to revise their doomsday forecasts. The year 1984 will be a year of economic progress.

Tasks Facing Folketing Outlined

Copenhagen BERLINGSKE TIDENDE in Danish 11 Jan 84 Sec III p 3

[Commentary by Frank Dahlgaard]

[Text] The budget, tax reforms, modernization and privatization of the public sector along with wage trends in the upcoming contract period are among the important tasks awaiting the four-leaf-clover government and the newly-elected Folketing.

The four-party government's victory last night did not solve the many economic problems still confronting Denmark.

Although unemployment has not risen since April 1983, the number of people registered as unemployed still stands at a record level--around 280,000 people.

Although the foreign exchange deficit has been cut almost in half, it is still a deficit, meaning that Denmark's foreign debt continues to grow. Foreign debt today is up around 175 billion kroner, corresponding to 34,300 kroner per inhabitant. Only Israel currently has a larger foreign debt per inhabitant.

Although wage inflation has been cut in half, from 10 to 5 percent on an annual basis, wages are still rising substantially faster than production. Thus in spite of the efforts of the four-leaf-clover government, there is no production basis for wage increases and therefore prices will continue to climb--although obviously at a lower rate.

The government has still not succeeded in reducing wage increases substantially below the wage inflation rate abroad.

Although interest rates have fallen dramatically--from 22 to less than 13 percent--real interest rates are still quite high.

And although the increase in the deficit in the area of national finances has been halted, there is still a very large deficit which means a continuation of the sharp increase in the state's domestic debt and interest payments.

To sum up, there is plenty of work to be done.

Public Growth

The first task for the newly-elected Folketing will be to pass the 1984 budget.

But this will by no means solve the problems of public finances. The four-party government has not yet managed to decisively change many of the conditions that cause public spending to rise almost automatically.

The government has issued a "modernization program" for the public sector, which must now give rise to legislative changes and the same is true of the idea of "privitization" in the public sector.

The four-party government's previous budget improvements have consisted almost exclusively of cuts in investment outlays and income transfers--along with tax increases. No real savings in resources for public operating outlays have been made so far.

On the revenue side there is an urgent need for a reform of the entire tax system that can stop tax cheating, tax evasion and tax plundering. The government has already announced that it will make tax reform suggestions in May.

Wage Developments

But the most decisive thing for the national economy in the coming year is the question of wage developments and contract renewals in the winter of 1984/85.

Finance Minister Henning Christophersen boldly declared the day before the election that wages are still rising too rapidly and that wage inflation must be cut in half in the next contract period.

The Radical Liberals, who warmly support the government's wage policy, have reacted by saying that wage inflation should be cut all the way to zero percent in the next contract period. That would give the best real wage and would provide a good chance to make a dent in unemployment, according to Lone Dybkjaer.

That the government could achieve a persuasive election victory in spite of clear statements on its determination to further check wages is really quite remarkable. It means the voters have given the green light for a stronger income policy and it will undoubtedly show up in the form of new interest declines very soon.

Mechanism of Interest Decline

It is probable that the National Bank will lower its discount rate for the fifth time under the four-leaf-clover government when the budget has been approved by the new Folketing.

The government and Folketing could produce a very big decline in interest rates if a law is passed before the summer recess that extends suspension of the automatic cost-of-living adjustment for wages until 1987.

That would remove the fear of a rekindling of inflation once and for all, clearing the way for a decline in bond interest rates to below 10 percent.

The four-leaf-clover government should also boldly take the initiative in the upcoming contract negotiations and lead off in dealing with public employees. The message should be zero kroner in wage increases.

Then the private business sector would also know which way the wind is blowing.

If the four-party government decides to take the easy way out after its comfortable election victory--namely, taking a sabbatical from economic policy--it will have betrayed the trust of the nation and the voters.

Labor, Management Still Apart on Pact

Copenhagen BERLINGSKE TIDENDE in Danish 10 Jan 84 Sec III p 1

[Article by Svend Bie]

[Text] Despite a sharp debate on real wages in the election campaign, LO [Danish Federation of Trade Unions] and DA [Danish Employers' Association] are not that divided on real wage calculations. They agree that real gross wages (real wages before taxes) are being preserved, but disagree on the significance of taxes. Both real gross wages and real net wages are reasonable ways of expressing the prosperity of wage earners, an LO economist says.

The heated debate on workers' real wages just before the election could give the impression that there is widespread disagreement between the organizations on how real wages have developed, but if we remove the big words from the calculations, we see that not much divides the two sides here. LO and DA agree that on the average, real wages before tax deductions have been preserved, but they cannot agree on how real wages after taxes have developed. Some economists are splitting hairs when they say that it is real wages before taxes that show the true picture of prosperity. There is also doubt among LO economists as to what amount best indicates prosperity.

Real Wages After Taxes

In calculating real wages after taxes, DA has tried to take into account the fact that wage earners have rising deductions and are thus less affected by the tax increase than the tax percentages would otherwise suggest. In support of this argument, DA has said that the deductions have actually risen sharply in recent years and that advance registration for 1983 also shows higher deductions.

L0 maintains that rising deductions cannot be taken for granted. It assumes the same deductions in 1983 as in 1982 and therefore estimates a greater tax burden and lower real wages for 1983.

In addition, L0 says we must take into account the fact that payments to unemployment funds have risen, thus arriving at the conclusion that a family with one income has had a loss in real net wages (disposable real income) of 2.5 percent. If the family had two incomes, it would normally pay more in taxes. This means such families would be hit harder by tax increases and with the L0 assumption of unchanged deductions, the result would be a loss of 3.5 percent in real wages, including higher payments to unemployment funds.

Section chief Poul Erik Pedersen of DA maintains that it is more accurate to count on an increase in deductions. He said that DA had not taken increased payments to unemployment funds into account, since that is a sum that must be covered by the disposable income that remains after taxes.

"What we have looked into is just what wage earners actually get paid and what they can get for this amount. We cannot include what wage earners use this money for."

Real Wages Before Taxes

But L0 and DA agree on what real wages before taxes look like--they are unchanged.

This leaves the discussion as to which measurement of real wages is most relevant in expressing the well-being of wage earners.

Kirsten Stallknecht, chairman of FTF [Joint Council of Civil Servants' and Salaried Employees' Organizations] wrote a year ago in an article in BER-LINGSKE TIDENDE that the best figure is real gross wages, since wage earners also benefit from the disbursements resulting from tax payments.

"I agree...that it is not correct to simply deduct taxes and duties without adding the value of the benefits one receives via taxes. That is why FTF operates with real wage calculations and not with estimated wages after taxes," Kirsten Stallknecht wrote on 31 December 1982.

According to this statement, real wages for wage earners as a whole stayed at the same level in 1983.

L0 economist Henrik Bjerre Nielsen, who helped arrive at L0's real-wage estimates, would not rank one concept of real wages ahead of the other.

"Taxes pay for public consumption and that is also an expression of prosperity. There is no clear-cut picture of prosperity and therefore we talk about both real wages before taxes and real wages after taxes."

Henrik Bjerre Nielsen simply says that it gives a clear picture of developments if both concepts of real wages go in the same direction.

That is not the case for 1983. LO and DA agree that real gross wages have been maintained, but there is a dispute as to whether real net wages have declined insignificantly or by up to 3.5 percent.

Unemployment Figures Stable

Copenhagen BERLINGSKE TIDENDE in Danish 6 Jan 84 Sec III p 1

[Article by Frank Dahlgaard]

[Text] Unemployment has not increased since April 1983 according to experts in the Danish Bureau of Statistics.

It is totally unrelated to reality when Social Democratic leaders claim that unemployment is rising.

Economist Thorkild Hune of the Danish Bureau of Statistics told BERLINGSKE TIDENDE that the unemployment caused by the market crisis has been stagnant ever since the spring of 1983.

"Seasonally-adjusted unemployment figures have stayed relatively constant since April and this development also applies to many other EC countries."

Unemployment always rises in the fall and peaks in January, while it falls in the spring months and reaches its lowest point in the summer.

To remove these normal seasonal variations from unemployment figures, the Danish Bureau of Statistics estimates a seasonally-adjusted unemployment figure for each month. In the chart below, BERLINGSKE TIDENDE has shown the development in this seasonally-adjusted unemployment figure from the Danish Bureau of Statistics, which peaked in April 1983 at 283,700.

The latest published figure for seasonally adjusted unemployment came from October, when there were 281,300 people out of work.

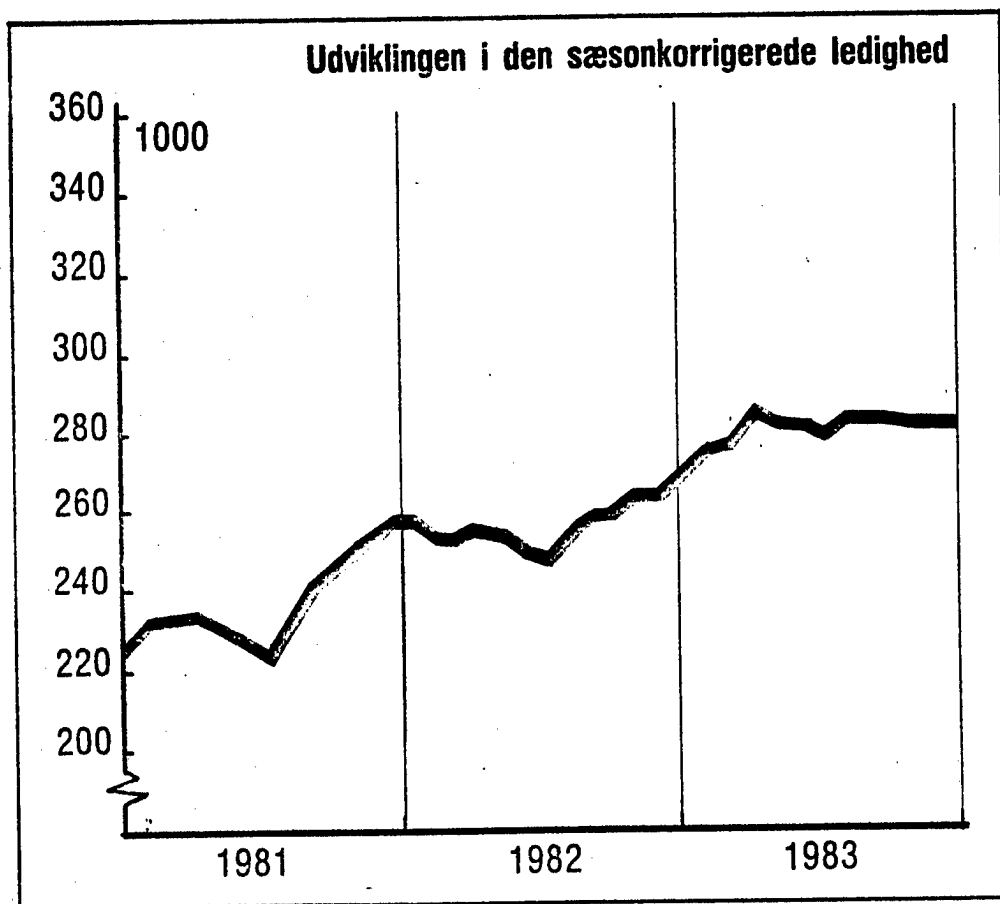
The Danish Bureau of Statistics will not be able to publish the November figures until the week after the Folketing election.

However it is possible to estimate developments in the November unemployment figure even now by looking at the weekly unemployment figures from the Labor Directorate:

On all five Wednesdays in November, unemployment was estimated at between 305,000 and 206,000 [as published]. In other words, unemployment in November remained at an unchanged level /in spite of the fact that unemployment normally rises in this month./ [in italics] This circumstance

clearly points in the direction of a decline in the seasonally-adjusted figure for unemployment in November.

The Labor Directorate's weekly unemployment figure rose in December, but by less than in December 1982 and economists in the Industrial Council estimate that the seasonally-adjusted unemployment for this month will also be more or less in line with the unchanged unemployment figures of previous months.



Developments in Seasonally-Adjusted Unemployment

This is how real unemployment, caused by the market crisis, has developed in the last 3 years. Source: Statistical Information, Labor Market, 19 December 1983.

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PROSPECTS FOR TRADE WITH SOVIET UNION

Hamburg DER SPIEGEL in German 21 Nov 83 pp 59-61

/Text/ No more big deals with the Soviets can be concluded at present, but prospects are good for smaller projects.

Soviet Council of Ministers Chairman Nikolay Tikhonov and his deputy chairman, Leonid Arkad'yevich Kostandov, were still threatening the visitor from Germany in June. In the Russian capital at that time, Economics Minister Otto Graf Lambsdorff was told that if the new missiles were deployed in the FRG, this would "seriously strain economic relations between the two countries."

This time, at the most recent session of the German-Soviet Economic Commission last week in Moscow, there were no threats. On the contrary-- "We will make every effort," Kostandov promised, "to expand our economic cooperation." But that will be rather difficult to do. For one thing, the approximately 1,500 West German companies involved in Soviet deals must increasingly fight against Western competitors. For another, the Russians lack foreign exchange for extensive purchases in the West.

In Moscow, the Soviet negotiators repeatedly asked their German visitors to buy even more natural gas from them than previously agreed upon. The large gas pipeline from Siberia to Western Europe, built with pipe supplied by the Mannesmann Company in Duesseldorf, has been ready since June. According to the Soviets, the natural gas supplies agreed on in 1981 could begin earlier than scheduled. Kostandov tempted: "If you buy more from us, we can also order more from you."

But Lambsdorff declined, saying that the need for gas is less than predicted 2 years ago as a result of the economic recession and energy conservation, and that price competition on the energy market is cutthroat. Ruhrgas AG /Inc./ had already previously announced that it would be able to buy from the Russians only the minimum amounts agreed on in 1981.

The Russians will not only sell less gas than they had hoped, but they will also get less money for it. Ruhrgas managers had agreed with their Russian suppliers on sliding-scale prices, which are governed by oil and gas prices on the world market. And since prices are not very high on such markets at present, Russian gas bills will also be lower.

The glut on world energy markets has caused the Russians to postpone large projects such as the exploitation of gas and oil in the Barents Sea or construction of a coal liquefaction plant at Kansk-Atshinsk, in western Siberia, for the time being.

Even in March, the Soviets had raved to spokesman for the Deutsche Bank Friedrich Wilhelm Christians that the Kansk-Atshinsk project would far surpass the gas pipeline agreement concluded only 2 years ago.

Moscow reportedly planned to purchase facilities and technology for converting its west Siberian lignite into gas and gasoline from West German firms for about 40 billion marks. Last week, however, the project was not mentioned in Moscow. For the time being, the Soviets intend to use a small amount of the Kansk-Atshinsk coal for generating electricity in Siberia. It is still by no means certain whether the coal liquefaction project will be included in the 5-year plan after next, in 1991.

"Even among the Soviets," Krupp Board of Trustees Chairman Berthold Beitz acknowledges, "the enthusiasm for large energy projects is dampened for the time being."

Only medium-sized and smaller deals can now be concluded in Moscow. Thus the Soviets have been showing an interest in Grundig's Video-System 2000 for some time. During the Moscow talks, Kostandov again inquired about this video-recorder system, which is considered to have hardly any change of competing successfully with the Japanese VHS /Video Home-System/ system.

Berthold Beitz, who is on friendly terms with Grundig adviser Ludwig Poullain, flew to Germany as quickly as possible in response and brought back a ready offer 3 days later, at the close of the commission meeting. Grundig experts will travel to Moscow sometime this week.

There are good opportunities for German suppliers who can help the Soviets with improving their food supply. When former Communist Party Chief Leonid Brezhnev announced a program for developing the food industry in the spring of 1982, German industry missed the boat by waiting too long. The French, on the other hand, reacted with lightning speed and promoted their equipment and machinery at an exhibition in Moscow.

Kostandov has now told Lambsdorff that agreements on the joint development of food processing plants and model farms could still be concluded this year. The Soviets have thus asked the Germans to design for them a 1,000-hectare model farm for sugar beets.

The Soviets, who have meanwhile become an important factor in competition among Western Europeans, have not forgotten the comment that the French would bring something concrete back with them to Moscow next week. Lambsdorff had to hold off his negotiating partners: German firms could not come up with offers quite so quickly.

In any case, medium-sized companies, which now have to maintain German-Soviet trade with smaller supplies, are having a difficult time with Eastern deals. They must make an even greater effort than large companies to get through the long channels of Moscow bureaucracy.

For example, Swabian farm machinery manufacturer Hans Rau lobbied in Moscow for 5 years. The medium-sized businessman invested a good quarter-million. He sold a total of three machines and had already planned to give up.

But now his perseverance seems to have been worthwhile. The Russians want to buy from Rau a license for building 1,000 agricultural machines annually.

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INDUSTRY MINISTER FABIUS ON PEUGEOT, RENAULT, CGE, THOMSON

Paris L'EXPANSION in French Dec 83 pp 31-34

[Interview with Minister of Industry and Research Laurent Fabius by assistant chief editor Herve Jannic; date and place not given]

[Text] More aware that there have been 2 years of difficulties for business firms, of the constraints of international competition and of the implications of the technological revolution, it would appear that the government realizes that, as far as industrial policy is concerned, realities count more than ideology. This, at any rate, is what we get from the statements Minister of Industry and Research Laurent Fabius has been making here since April 1983.

Herve Jannic [HJ]: The grading of the top 1,000 French industrial companies shows that in 1982 200 of them recorded losses. Nearly one out of three of the first 100 is losing money. Twelve of the first 20 are operating in the red. That is to say that the big combines are the first to be hit by the crisis. Why?

Laurent Fabius [LF]: I see several explanations. First, the fact that during a period of crisis and change the big combines are probably more subject to the weight of the past than others and do not always have the flexibility desired to rapidly adapt to changes. We note this in France as we do abroad. The second explanation: Many big combines operate in critical sectors and financially feel the backwash: the steel, automobile, chemical, etc. industries. The third explanation: These big combines have accumulated arrears in terms of investments and are thus behind in modernization, therefore in the ability to compete. Such an observation does not, of course, imply that we should give up or buy out the big companies, but it does show both the efforts they have to make and the role the small and medium sized businesses have to play in the dynamic process of our economy.

HJ: Is there a sort of fatality that may be brooding over the big French firms?

LF: No, but they are going to need a lot of drive and mobility. I furthermore note that this requirement concerns both public and private companies. In this context it is indispensable for the companies to recover the ability to invest that they have lost over these past 10 years. Today we realize that the price of the crisis during the past decade has been primarily paid at the cost of

company investments. On this particular point many observers on the Left and the Right may be nonsuited. Starting with the prior need for financing possibilities and market prospects -- conditions that are not ordained. But they do constitute an absolute imperative. Referring more particularly to state companies, it is not a question of ranking nationalization and deficit together. Aside from the steel industry and CDF Chemicals, which are in an extremely delicate situation, the state industrial firms should achieve financial equilibrium by 1985 at the latest.

HJ: Won't refloating French industry go through a phase involving a considerable reduction in personnel? And if so, is it possible to fight this de facto solidarity that has always existed in France between employers, labor unions and the administration in order to maintain employment in exchange for subsidies (as in the steel industry), social peace or both of them at the same time?

LF: It's true that there are manpower problems, often serious ones. But you can't reason mechanically by saying: "We'll bleed the companies and everything will be better." That doesn't make any sense. There is a reality in the economic fabric of France which must evolve; there is also what society will accept and what it will not. What is true -- and I've never concealed the fact -- is that the employment situation is going to be difficult in the years to come, particularly for the big combines. All the recent studies indicate this. I'm not a partisan of subsidies without security. The effort must consist of maintaining employment whenever possible and when it isn't of preparing the reconversion of the production machine, in short, of placing the economy and the society on an equal footing. It would be suicidal to want to preserve all structures intact while French industry is confronted with three major challenges: underinvestment that dates back to the first oil shock, an international crisis which -- whatever one may say -- is continuing and a veritable technological revolution. From now on France's objective is twofold: to update industry and during the transition period, which may be a long one, to take into account as closely as possible the social consequences, to bet, as Samuel Pizar wrote, on human resources, to make a stupendous training effort. The chief difficulty lies in the shifting of perspectives: Results -- as always in the field of industry -- take time, whereas difficulties are immediate. That's the essential problem.

HJ: That is to say, the essence of your job as minister of industry is to manage affairs in the best possible way during the time required for this evolution?

LF: That is in fact a large part of my job. To do it well, you have to first of all be honest with people.

HJ: Is it really possible to tell the truth?

LF: It's indispensable. With time on its side, the government is in a position to set itself objectives, apply a policy and observe the results. The truth is therefore not only a moral requirement; it is a condition for political and economic effectiveness.

HJ: Isn't there a difference between what you are saying and the actions of the administration? I'm thinking specifically of the Peugeot case, which shows to what extent it is complicated for a firm that wants to reduce its personnel to get the go-ahead from the administration.

LF: The initial decisions on the Peugeot case have already been made. As for what remains to be done, the company has been asked to "reexamine its copy" so that the social measures to be adopted will not be settled on disconnectedly one by one, but in relation to an overall perspective. There is nothing offensive about this. All the interested parties are in agreement on it.

HJ: Will the Renault case, which is next in line, be settled as well as this one?

LF: The situation is not the same. In the case of Peugeot there are specific aspects that are particularly associated with a difficult social context and the problems posed by the merging of former trade networks. But it's true that the consequences of the evolution of automotive technology pose closely related problems for the two French firms as they do for auto manufacturers round the world. I hope that the state-run company, Renault, which is in the habit of planning changes, will deal with the desirable developments in the best possible way.

HJ: Do you have billions enough in your budget to be a good stockholder?

LF: The budget for industry and research -- that is, preparation for the future -- is the one that will be increased the most in 1984. Large amounts of capital are indispensable, but I may surprise you in saying that it's not only a matter of appropriations. Of course, the state must play its role of stockholder with respect to the nationalized companies. Hence the need for a certain number of capital appropriations; but they don't have to be granted without security, which is the justification for the requirements we impose on managers. The real problem lies therefore not only in the volume of appropriations, but in their distribution. If most of them are absorbed by deficit-operation and conventional sectors, there will not be enough left over for the development of the others. We must therefore try to restore some sort of balance.

HJ: Aren't you straddling two chairs? On the one hand, you are being asked -- logically so -- to fulfill your obligation as the guardian of the nationalized companies. On the other, you are congratulated -- this was the case at the time of the Thomson-CGE agreement--when you allow the industrialists to freely reach agreements among themselves.

LF: Most of the recently nationalized combines were in poor or very poor shape. Some of them were so due to bad business, others due to pseudo-good business. The CGE was doing well. Without nationalization, therefore, it oriented itself toward "apartment sales" with all the consequences one might imagine they would have on the independence and might of French industry. The French financial market being what it is, there was no other solution. Now, these companies have to develop themselves and recover. I have neither the competence nor any

desire to be a sort of super president-director general for each national company, and things cannot be run in that way. Thus the rules of the game are clear and stable. Precisely, from now on the rules of the game for the state companies are clear. They will be implemented through planning contracts entered into between these companies and their stockholder. Within the limits of the objectives thus defined, the companies will enjoy autonomy of management. Their executives will be judged on the basis of the results they produce.

With regard to the Thomson-CGE agreement, I would like to say that industrial policy is not built on flimsy platforms. People shouldn't think that, because I didn't publicly intervene at the time, I heard about it by reading the newspapers! Actually, I had asked the executives of Thomson and the CGE to come and see me about the recovery of the CGCT. I asked then to discuss a common proposal with the latter. When they came back to see me, they had in the meantime ascertained that what was involved was an even vaster affair, each member of their combine's ability to compete on an international scale, an ability that required closer relations and redistributions of their operations. An effort was made on the basis of this and a plan was worked out. The state stockholder then in principle gave its consent, but on three conditions: that there be close coordination with the state partners, that employment prospects be more favorable than those produced by the existing situation and that the marketing of the products be guaranteed. This plan seems to me to be a good and realistic one, since we cannot reasonably suppose that in 15 years time there will be 15 big worldwide telecommunications syndicates two of which are French. We need to rally our forces to preserve our markets and capture new ones.

HJ: Do you foresee other major reorganizations?

LF: France's industrial policy is not a game of Monopoly. The industrial landscape is taking shape, but economic reality shifts and will shift again. It's up to the firms to advance; as for the government, it must create a favorable climate.

HJ: In your opinion, is French industry sufficiently concentrated?

LF: There is no absolute rule for this. It depends on the sector. And the real situation is ceaselessly evolving. For example, BSN [expansion unknown]-Gervais-Danone has just diversified into the champagne business. That is a smart move. Everything in fact depends on opportunities. Take another case, in the chemical industry: What had to be done was done. Now, Pechiney is on the road to recovery and Rhone-Poulenc too. As for what will happen in 10 or 15 years time, humbly submitted, who knows? I hope it will be possible to grant privileged status to European cooperative operations, for in the end it's the independence of the countries of Europe that is at stake. You might raise an objection to the Thomson-JVC [expansion unknown] agreement. In that case, it's true, Thomson wanted to choose the best technique and that was JVC's.

HJ: Isn't there a risk that there may be a lot of other exceptions of this type since the best techniques are generally found in the United States or Japan?

LF: Often, but not always, as witness, for example, the recent creation in Munich of a joint laboratory for research on artificial intelligence shared by Bull, ICL [expansion unknown] and Siemens. I've also extended a lot of support to the European project, "Esprit," which is about to be implemented. This is a new and excellent initiative in the field of research and development for the electronics and data-processing industries, which pools financing by European governments and firms in order to deal with the international competition. Likewise, the recent agreement between CGE and Olivetti, which provides for developing European cooperation and reducing our trade deficit (we are at last going to produce electronic typewriters in France), seems to me to be a very positive factor.

HJ: In connection with this, isn't it a pity to have given up a big holding in a firm that performs as well as Olivetti does and to find oneself today with just a calling card?

LF: The problem was not raised like that. Remember, Saint-Gobain had not long ago planned to diversify into data processing, which is specifically why it invested capital in Olivetti. Various ups and downs intervened and, after all is said and done, what actually happened? Nothing at all. So there was a financial holding that was in a way frozen and no industrial cooperation. The situation was lastingly blocked, which is a bad thing in industry. We felt that we had to look for real cooperation. After many discussions an agreement was concluded at three levels. Financially, the agreement is satisfactory. Commercially, Olivetti will distribute CIT-ALCATEL equipment. Industrially, France will be endowed (along with the relevant jobs) with an electronic typewriter industry, a business sector in which our annual trade deficit comes to over 500 million francs. Despite its sectorial nature, this agreement is the first truly European agreement in this domain in several years.

HJ: French firms are complaining. What can you do for them?

LF: The firms are well aware that they have to fight for themselves and that no one will do it for them. At least the government, for those who are dependent on it, must not force them to wear lead soles when they have to run against very tough competition. I don't think that my actions have to be essentially pinpointed or sectorial. There may be useful sectorial plans (like the textile-industry plan) or horizontal plans (like the production plan). But my role is above all to contribute to the definition and stability of France's industrial environment. So I continue to favor freedom of industrial prices. When we take a look at the statistics, we can see that these prices are not responsible for the inflationary skid. At any rate the importance of the competition exists. Measures also have to be adopted in the domain of finance. The CODEVI, for example, is indisputably a move in the right direction. But I mustn't indulge in demagoguery. Every desirable relief from burdens must be balanced by one expenditure less or by one item of revenue more. If we don't specify which ones, we may achieve success on the rostrum, but we are not acting in a responsible way.

To my way of thinking one of the administration's chief tasks is to clearly state the rules of the game, not to change them every 6 months. And then we must also tell the nation, our state partners and the different political parties, without disguising reality, that the times are hard, that we have to roll up our sleeves, that the country will not find the means for recovery and development anywhere else but in a stupendous effort.

For some time now I've had the impression that attitudes are changing. I'm glad because in a country like France, which isn't very familiar with its industry and businesses, the fundamental problem is as cultural as it is industrial.

11,466

CSO: 3519/154

SUMMARY OF 1983 ECONOMIC PERFORMANCE, 1984 PROSPECTS

Madrid ABC in Spanish 9 Jan 84 p 52

[Text] The Spanish economic situation throughout 1983 was marked by a moderate growth associated with specific productive sectors which, as a whole, made it possible for the gross domestic product to increase about 2 percent over the previous year's figure.

Contributing basically to the growth in the GDP were the agrarian sector, energy production, the automobile industry, food industries, external tourism, education and public services. From the standpoint of demand, its increase was caused mainly by an expansion in exports of both goods and services, which contributed with its aid to over 60 percent of the growth incorporated into the GDP. Also contributing was public consumption (although it had negative effects on the deficit side) and, more modestly, private consumption.

The gross capital formation, in other words, productive investment, had a negative performance, both because of the lower volume of construction work done and because of the investment in capital goods and transportation material. On the construction side, housing and industrial construction were depressed. and in capital goods, those of native production, because imports of equipment, although the rate thereof slowed down, registered somewhat of an increase during the year as a whole.

The cyclical profile remained quite stable throughout the year. The fear of a serious breakdown during the second half was not clearly detected, although there are signs that productive expansion had lost strength during the final months of the year.

Inflation Increased More Than in OECD

From the standpoint of the basic imbalances in the system, the reduction in inflationary pressure that had been very obvious until the summer months was curtailed in the final months. The correction in the inflation differential separating us from the OECD [Organization for Economic Cooperation and Development] countries and the Economic Community was limited to a few tenths. In other words, Spanish inflation is increasing more rapidly than that of other countries. The depreciation of the peseta (making imports more expensive)

and the considerable public deficit are the factors carrying the most weight in the problem to check price increases. The policy on wages and income was of little help, because, despite the Interconfederal Agreement, the per worker wage will have increased 14 percent; and hence the unit cost of the work factor will have stood at about a 10 percent increase.

Although a moderate adjustment may have been achieved in the system, releasing funds for private savings, the need to finance the public deficit, amounting to nearly 6 percent of the GDP, has more than absorbed the gains posted in the productive sector. The weakness in investment has made it possible, despite the considerable appeal for funds from the system by the public sector, for no excessive tension to occur on the money market. But this is due to the marked sluggishness in investment.

The price of money remained above rates within the reach of the investor aspiring to create new sources of wealth and jobs. Contributing to this was the real interest rate in effect on the international financial markets, as well as the high rate of Spanish inflation and the need for financing in the public sector. The public sector, competing with an advantage on the financial markets, has become a factor accelerating the price of money.

Obvious Improvement in the External Sector

But where the economic adjustment had the greatest positive effect was in the external sector. Exports of goods and services, though declining in terms of dollars, registered a real growth of no less than 8 percent in terms of volume. Imports, which were more moderate, will have increased at a rate of under 2 percent. Although the balance of external income and transfers showed negative results, the balance in current account will show a better performance than in 1982, with a deficit of under \$3 billion, representing a gain of over \$1 billion with respect to the deficit incorporated in 1982.

The current deficit in the balance of payments will differ by a few billion dollars contributed by the net foreign investment, an additional billion from the greater foreign debt, 500 million financed by the turnover of short term capital and another 500 million from the reduction in the level of external reserves. These are approximate data which the final balance will confirm or correct, although they will be close to the figures cited.

The Aggressive Side of Unemployment

The unemployment problem, that great social concern and that great utopia that the politicians and trade unions want to resolve magically, has shown its aggressive side. About 200,000 more unemployed would be the result for the year. Of that figure, about 150,000 additional unemployed come directly from the increase in the active population, as a result of the incorporation of a new generation into the job market. Access for the youth to the job market stands at about 300,000 per year, of whom only half succeed in obtaining employment. The 50,000 additional unemployed are associated with the jobs destroyed during the year.

The 2 percent rate of growth in the GDP is insufficient to maintain the previous employment level, but contributing to the destruction of jobs as well has been the inflexibility of the job market, a fact that the government has become aware of, despite the opposition from the trade unions, defenders of the citadel of employment, to the detriment of the jobless who want to work, even though it may be under different conditions insofar as job stability is concerned.

But the major problem ultimately posed for Spanish economic policy is that of industrial reconversion. Neither the external deficit, nor inflation nor the public deficit has any solution if Spain does not come to grips directly with industrial reconversion. The sound economy will become infected and will end up becoming sick if we do not put an end to the parasitic economy generating sizable losses and deficits. This is understood by the government, which is hastening against all obstacles to cope with the social scourge of the business deficit. The key to future Spanish economic expansion lies in a reduction of the transfers and subsidies to sectors with deficits and consumer sectors, so as to allocate funds for industrial innovation and restructuring. If the entire society cooperates, acquiring an awareness of Spain's serious economic problem, success is guaranteed.

Forecasts for 1984

The government has predicted for 1984 a growth in the GDP at a rate of 2.5 percent, a reduction in the rise of consumer prices to 8 percent, restriction of the public deficit to 5 percent of the GDP, a substantial cut in the balance of payments and a curbing of the destruction of jobs. This is an enticing wager that will be difficult to win unless the international economic performance fosters the development of the Spanish economy.

If we consider the data shown by the cyclical indicators, it appears quite unlikely that the growth in industrial production will be maintained during the early months of the year, in view of the weakness in domestic demand, particularly in the area of gross capital formation. The external sector, which was very dynamic in 1983, will not have the support of a unilateral devaluation, nor most likely a slip in the exchange rate as intense as in 1983. The maintenance of the inflationary differential will cause Spanish production to lose its competitive status.

As for prices, their possible curtailment will depend primarily on the agreements between business owners and trade unions, which should accept the government's proposal to limit the wage hike for 1984 to 6.5 percent. This fact, which would bring about a considerable adjustment in the Spanish economy to emerge from the crisis, will have a limiting effect on domestic consumption. But it is a necessary and unavoidable rehabilitation operation for achieving a prosperous status.

The public deficit, combined with the policy for industrial restructuring, comprise the two major challenges for the Socialist government. If clearcut

success is achieved on both fronts, the Spanish economy could close 1984 with a positive credit balance, although the Spanish public is really prepared and conscientized to assume the great challenge that the economic crisis has imposed.

(Bank of Bilbao Studies Service)

2909

CSO: 3548/165

PSOE WINS APPROVAL OF REINDUSTRIALIZATION DECREE

Madrid DIARIO 16 in Spanish 28 Dec 83 p 14

[Text] The decree law on industrial conversion passed the congressional test yesterday, emerging with approval due exclusively to the socialist group. The other parliamentary groups opposed it or abstained. The harshest criticisms came from the Basque and Catalan representatives, as well as the communist Fernandez Iguazu and the representative of Euskadiko Ezkerra. Solchaga said that the failure of the government to intervene in orderly and strict fashion in industrial policy would mean suicide for the Spanish economy.

Madrid---The decree law on reindustrialization was validated again by the deputies in the Congress, but solely thanks to the votes of the socialists, since the communists, the members of the Alliance, the Basque and the Catalanian voted against it. The parliamentary debate was characterized by the solitary position of Minister Solchaga, who defended a reconversion law which, following the cuts resulting from UGT [General Union of Workers] pressure, was much diminished, and by a constructive attitude on the part of the Popular Alliance, which expressed the view through Jose Ramon Lassuen that it is necessary to reindustrialize before reconverting.

Both the Basque and Catalan factions complained of the lack of dialogue between the Ministry of Industry and the autonomous communities, and their exclusion in matters pertaining to this subject, of overwhelming importance to the future of the country. Through Fernandez Iguazu, the communists described the law as "a savage conversion," giving importance only to the adjustment of tables of organization and ignoring the creation of alternative job posts. Euskadiko Ezkerra representative Juan Maria Bandres also voted against it because he believed it bad for the workers and for the autonomous communities. The centrist group and the CDS [Social Democratic Center Party] abstained.

Minister of Industry Carlos Solchaga, for his part, told the congressional plenum that the failure of the government to act to resolve the serious industrial crisis would be suicidal for the Spanish economy.

Solchaga presented to the Chamber the royal decree law on reindustrialization and industrial reconversion, which he said was the "product of reflection and

not the triumph of the socialist theses outlined in the BOE [Official State Gazette]." He justified the decree in terms of the very serious industrial crisis which has struck "like a cudgel" at Spanish society, and he cited by way of proof of the situation the deterioration thanks to which the sector has lost a million labor posts in the past 10 years.

Given the serious situation and the lack of strength on the part of preceding governments to deal with it, Solchaga said that the socialists had only two alternatives: "a policy of savage adjustment or a policy of orderly and strict activity with a view to survival in a free enterprise economy."

Solchaga stated that the government is aware that this decree places it "in a delicate position for dealing courageously with the worsened situation in our industry without extending the activities of the past," and he appealed to the common sense of the citizens and the trade unions.

In explaining the basic guidelines of this decree, he spoke of the general framework for action in dealing with the sectors in crisis, and mentioned the tax, sociolabor and industrial promotion measures.

In connection with the former, he stressed that the credit and guarantees granted by the INI [National Institute of Industry] and the Industrial Credit Bank came to some 700 billion for the overall metallurgical sector, steel, shipbuilding and electrical household appliances and about 900 billion for new sectors.

The minister placed special stress on the sociolabor aspect, and said that the decree law incorporates the preceding one established in the workers statutes, and leaves the approval of any measure allowing the lowest possible labor costs open for later consideration, on the basis of the characteristics of each case.

Solchaga said that the workers left in legally unemployed status will have the right to collect allocations for the maximal legal period. Plans also call for allowing workers 60 years of age or older to take advantage of an early retirement system guaranteeing them pensions of 75 percent of their average active service pay.

Lassuen, for his part, said that there was disagreement as to form, but more basically, as to the essence: "It is the intention of the government to liberalize and modernize our industry. However, this is being implemented badly. It is necessary to reindustrialize before reconverting, as Japan and the United States have done. Following the European model means suicide."

Professor Lassuen insisted again and again that the decree does not provide a change in management in the enterprises in crisis, nor have the reasons why these enterprises reached this situation been analyzed. "It is necessary to change the enterprise management during reconversion, since there is no reason to retain certain gentlemen who in 10 years' time have squandered 3 billion pesetas from public funds," he said.

Deputy Carlos Gasoliba, representing the Catalan minority, and Echevarria, representing the Basque minority, also participated in the debate. They deplored the exclusion of the autonomous communities by the government. Bandres and the communists also spoke harshly, and the centrist group justified the government's attitude, in part. Carlos Solchaga took the floor again to give a heated response to the criticisms voiced, stating that "I have received the impression today that the parliament has tried to escape the truth."

Immediately thereafter a vote was taken. Of the 290 deputies present, 191 voted in favor of the motion, 92 voted against it and 7 abstained.

5157

CSO: 3548/155

ELEVATED BANK RESERVE SEEN DAMAGING TO BUSINESS

Madrid ABC in Spanish 29 Dec 83 p 19

[Editorial: "Less Money for Businesses"]

[Text] The fact that the government has decided, with full formal legitimacy, to freeze 40 percent of bank deposits--the last measure presumes a further drain of almost a billion pesetas--is an event of very harsh magnitude, given the Spanish economic crisis, and very closely related to the general guidelines being pursued in general policy in this first year of the socialist regime. It is no accident that the announcement of the 18-point increase in the fund coefficients, along with the partial and temporary increase in the compulsory investment coefficients, for banks as well as savings funds, have coincided in time with the acceptance by the government of the UGT [General Union of Workers] demand concerning labor conditions in industrial conversion.

Neither Spanish banking in general nor each enterprise taken separately has been granted hearings or shown concern by the government like the attention given the demands and requirements of the trade unions, either in the definition of their needs or in the presentation of their complaints.

And even worse than the lack of an equitable proportion in the attention given the one and the other, what exists in substance is inversely proportional treatment. The concessions made on trade union demands are at the expense of what is denied the enterprises under any conditions. The political decisions in favor of the trade unions and what the left demands pose problems of principle, in the acceptance of which the government compromises the ultimate rationality of its economic policy. We will find little consolation in realizing that the financing of the budget deficit is being implemented in orthodox fashion, if the political faltering (?) is inconsistent with economic orthodoxy. The airship of the Spanish economy is in danger of running out of gas, while flight conditions are handled with prompt, precise and correct manipulation of the tools of politics and monetary navigation. The flight takes place at a public expenditure altitude which leads one to expect the worst. And if this magnitude is not politically modified, with a review of the factors causing it, it will be equally small consolation to know that the crash was technological perfect. What is involved is making contact with reality, in other words the monetary policy must cease to fly and function with total disregard for the problems of Spanish enterprises.

The banks will find their capacity reduced, and will be forced into the worst use of their means of production, with a reduction in the volume handled. The increase in their unit costs will maintain a consistent relationship with the loss in their efficiency. Thus the banks will have to tolerate a reduction in their business potential and will have to accept reduced profitability. Can one not glimpse the objective conditions needed for a new bank crisis? At least in the medium time range? Is it perhaps a question of testing endurance limits?

Where the Spanish economy in general is concerned, it is obvious that this change in the coefficients, and those to come, will have the effect of a very sharp drop in liquidity, a consequence which, moreover, seeks expression in other ways, such as the new 685-billion-peseta public debt issue. This will lead to a rise in the cost of money, such that the difficulties facing the enterprises will increase. How and where will they find the money they need to ensure their recovery? With a continued drain in liquidity, certainly, prices, willy-nilly, are going to remain stable for a period of time, but this will be at the cost of the decapitalization of businesses, because the general cost increases facing business, which we discussed in detail in our commentary on Monday, cannot be reflected in these prices.

And if the point of origin for this whole situation is as we say the budget deficit, the line of action is none other than the decapitalization of the Spanish economy through the launching of voluminous disinvestment. Businessmen not only find it impossible to invest, but are forced to undertake the reverse, converting their resources into cash and liquid assets. It is thus almost impossible to replace installations and equipment in the enterprises. And if there were some margin left for the pertinent and necessary replacements, the lack of business hopes, the absence of any profits on the horizon serves to complete the business decapitalization syndrome. The final expression of this picture is the increase in strikes.

The situation created by the increase in coefficients also has an ideological interpretation. An invisible advance is occurring through the expanding state control toward the nationalization of bank deposits, which is less scandalous, it is true, than the nationalization of the banks. Thus it is possible to work on the structures as well as on the functions of the structures. If this continues, all of the available credit will soon be managed by the government and planning will have destroyed the small part of the constitutional market economy model which still exists. The state administration is taking their rights of ownership over the money deposited in banking institutions and savings funds away from private individuals, its own taxpayers. The increase in the coefficients places now dangerously sizable quantities of monetary resources in the hands of the government. The public sector will become conspicuous for its sumptuous consumption levels, while the impoverishment of society will continue to become more acute. Expenditures for consumption, under pressure from the left and the trade unions, will cause the resources to be diverted from the main channels in the system into the hands of the government. But the businesses which give jobs to the workers in the trade unions and the majority of the workers who are not will be faced with perhaps insuperable difficulties in staying afloat with all their labor posts.

SLIM CHANCE FOR MANAGEMENT-UNION FRAMEWORK AGREEMENT

Madrid ABC in Spanish 29 Dec 83 p 44

[Text] "There is very little probability that a framework agreement will be signed with the trade unions in 1984," the president of the CEOE, Carlos Ferrer Salat, said during a press conference. "The CEOE," he said, "remains ready for a pact, but we will only sit down to negotiate next year if there are clear preliminary prospects."

In the view of the president of this owners association, "the government is currently subject to greater pressure from the trade union sector than from business," and he stressed that it is necessary to deemphasize the drama in the possibility that no framework agreement will be signed between the trade unions and the businessmen in 1984. "If such an agreement is not reached in 1984, nothing will happen," Ferrer explained, adding that his organization "sees no difficulty at all in negotiating the 1984 agreements sector by sector."

"The scene for next year is different from that in other years," he stressed. "We find ourselves in a situation with social stability clearly consolidated, and the trade unions and we businessmen have no reason to feel forced to sign an overall framework agreement. We may very well sign sectorial agreements without threatening the stability of the system. The second year of the socialist regime," he reiterated, "enables us to see things differently, with a fully established democracy, and from a new, much more stable viewpoint in terms of the democratic system."

The president of the CEOE mentioned 10 January (the date on which the executive committee of the CEOE will meet) as the final date for establishing some perspective as to whether there will or will not be a framework agreement. "If when that date comes there are no clear indications enabling us to negotiate, we will issue to our organizations the directions and specific instructions to sign the various agreements (in all, 3,600)."

Jose Maria Cuevas, secretary general of the CEOE, for his part, reiterated the statements made by Carlos Ferrer Salat, and emphasized that "there are no prospects for reaching an overall agreement with the trade unions within the framework of the government policy," since the trade union demands are excessive.

"The Workers Commissions have asked for a 10 percent wage increase, and the UGT [General Union of Workers] for 8 percent, in 1984. Well now, the CEOE

does not intend to exceed this government ceiling, such that the possibility of an agreement is very limited," Cuevas said. The secretary general of the CEOE said that his organization will never negotiate a staggered or phase-by-phase framework agreement, which "we regard as unjust, above all taking the limited range of the Spanish wage scale into account."

In the view of Jose Maria Cuevas, the UGT suggestion of signing a staggered overall agreement is not acceptable, although he does not exclude the possibility that the CEOE will sign a collective bargaining framework agreement with that union alone in 1984. Both Ferrer and Cuevas complained that although the inflation predicted by the government was 12 percent in 1983, labor costs to the businessmen per hour increased by 14.9 percent, while the overall wage increase came to 11.45 percent.

Juan Jimenez Aguilar, president of the Spanish Confederation of Small and Average Enterprises (CEPYME), voiced his fear that the present "state of the autonomous bodies will consolidate an economic system involving stricter systematic intervention."

Diego Pedroso, the CEOE labor relations official, and Fabian Marquez, representing the owners, also indicated their suspicions of those who are considering "increasing state intervention in Spain." The owners group stressed that, following its meeting with the UGT, it is still not possible to say if there will or will not be a collective bargaining framework agreement for 1984.

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CSO: 3548/155

SAVINGS BANKS AWAIT PERMISSION TO OPEN BRANCHES ABROAD

Madrid YA in Spanish 10 Jan 84 p 17

[Text] After the publication yesterday in the BOE [Official State Gazette] (following 2 months of hibernation since its approval on 9 November) of the royal decree on the expansion of savings banks abroad, these entities are still waiting to receive the concrete regulations that will govern the location of offices beyond our borders from the Bank of Spain. These regulations will not make any distinctions between the two possibilities that have been bandied about, consisting of the opening of individual branches (upheld by the leading banks) or of combined offices of the Confederation, wherein the banks so desiring would be represented, although, according to authorized sources, it would favor the latter option. Spanish emigrants residing in the countries where these offices would be opened will be the main beneficiaries of this plan for expanding the banks, because they will be able to carry out their transactions directly and will be offered more services in the operational area of foreign markets.

According to the degree containing the authorization, the trend toward greater institutional homogeneity in the Spanish financial system and the increasing interrelations of the Spanish economy abroad advise extending to the savings banks the opportunity to open offices abroad, in a manner similar to that being considered for the private banks.

The implementation of the aforementioned authorization will take place in accordance with the internal and external financial circumstances, and by gearing the requests to the desires of each entity and to the needs of the Spanish economy.

In each instance, the establishment of Spanish savings bank offices abroad will require permission from the Ministry of Economy and Finance, which will grant or deny it discretionally, at the proposal of the Bank of Spain and following a report from the Spanish Confederation of Savings Banks [CECA].

According to data obtained by this newspaper, the Bank of Spain wants to intensify the cooperation with the Savings Banks Confederation in this respect, so that CECA's decision in this matter will be the most influential document when it is time to grant or refuse permission to open branches abroad.

The criteria for permission will be founded upon restrictive bases because, according to the directors of the Bank of Spain, the savings banks will have to moderate their growth abroad, limiting their growth to lower rates, in view of the background of uncertainty among the international markets. Despite this position, the economic authorities have admitted that the savings banks' level of debt in foreign exchange is far removed from their potential in this area. At the present time, the channeling of payments and collections abroad through the savings banks exceeds 600,000 million pesetas.

The Bank of Spain wants the effort expended by the savings bank on their expansion plan, at least during its early stages, to be carried out in an associated manner, rather than institution by institution, so that the CECA coverage will guarantee an outlet abroad without risks and with sufficient operational capacity to provide the services demanded by clients abroad, particularly the emigrants, who are potentially the main users of the new offices.

Transactions in Foreign Exchange

The degree of the savings banks' participation in the total flow of external collections and payments has increased considerably during recent years. Insofar as collections are concerned, their share was 2.7 percent in 1981, 3.3 percent in 1982 and 4.1 percent during the first 8 months of 1983. The change in payments was 2 percent in 1981, 2.6 percent in 1982 and 3.4 percent from January to August 1983. As of 31 August of this same year, the savings banks had taken in funds in foreign currency with an equivalent value of over 167 billion pesetas.

At present, the offices representing the confederated savings banks abroad are located in Germany, Belgium, France, the Netherlands, Great Britain, Mexico, Switzerland and Venezuela, nations which are recipients of a heavy flow of migration from our country.

Prominent among the savings banks awaiting the circular letter from the Bank of Spain containing the concrete provisions on external expansion is the Savings Bank of Galicia, which has already announced its intention of operating alone abroad, if the Bank of Spain so allows.

As for CECA, there is a plan devised to operate with greater capacity and efficiency abroad, based on four points, including maximizing the potential of the representative offices currently open abroad and the expansion of the system of agents; preparation of a program for opening operational offices in the leading financial markets, chiefly those of London, New York and Miami; providing the foreign department with specific responsibilities for coordinating this system of offices and agents; and, finally, giving an impetus to the operational area in the realm of savings banks.

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CSO: 3548/165

ECONOMIC VIABILITY OF NATURAL GAS PROJECT IN QUESTION

Copenhagen BERLINGSKE TIDENDE in Danish 22 Dec 83 p 13

[Editorial: "The Riddle of the Gas"]

[Text] The year 1984 will be an eventful one in the area of energy policy in the sense that the first natural gas from the North Sea will be delivered to Danish consumers. During the year we can probably also expect to see a solution to the riddle of how to guarantee the finances for the natural gas project. In spite of anticipated sales of natural gas to both Sweden and West Germany, it does not appear that the total quantity of natural gas which the state-owned DONG [Danish Oil and Natural Gas] is committed to purchase from the private DUC [Danish Underground Consortium] can be resold at the prices estimated in the calculations.

So far it has not really been possible to get the energy minister to reveal what the government will do in this situation. And the reports from the Folketing majority that has so far supported energy policy are not much clearer. It is hard to avoid the impression that the biggest public investment project in Danish history to date has so many people politically responsible for its implementation that they will try to hush up criticism and the facts as long as possible.

However it is a fact that the project could not be regarded as economically profitable when it was set in motion in the spring of 1979. In order to sell the given quantities of natural gas, they later had to expand the natural gas facility. Despite the fact that the possibility of selling Danish natural gas to other countries was stubbornly rejected from the start, they are now planning, as we mentioned, to sell natural gas abroad, in all more than a quarter of the quantity of natural gas that DONG has promised to buy up until the year 2003.

In DONG's annual report, which was issued recently in connection with the company's general meeting, it is disclosed that the economic profitability of the project is estimated at 6 percent, calculated in terms of real interest. Presumably that is a very optimistic estimate. But even if we accept it we cannot avoid the fact that a much better economic yield could have been achieved with other private or public investment projects.

An attempt has been made to justify the investment mistake in natural gas on the basis of supply security. That consideration is problematic. For the natural gas increases supply security primarily in areas where they could best live with a lower level of supply security and where alternative supply systems--in the form of coal-based production of energy and heat, among other things--would be possible. At the same time the reduction of oil consumption after the introduction of natural gas means according to international energy agreements that any quotas of oil distribution in a crisis would hit those areas--especially traffic and business--where it would be most important to have a secure energy supply even harder.

But now the natural gas project cannot be halted. Therefore the people should be told how those responsible intend to make it work from an economic point of view.

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CSO: 3613/70

BRIEFS

GAS PROJECT AHEAD OF SCHEDULE--The Danish Underground Consortium [DUC] will soon have completed two-thirds of the total drilling program for the Tyra field. In all DUC will drill 36 wells for the natural gas project and the first 27 have been completed more quickly than planned, according to A. P. Moller. DUC has just finished nine drilling operations from the East C Tyra platform, where the Dan Earl drilling rig started work on 24 April 1983. Earlier the rig had drilled nine wells from the East B Tyra platform. Dan Earl will now be moved to the West C Tyra recovery platform where another nine wells will be drilled in the Tyra field. The drilling rig Maersk Endeavour had already completed nine production drilling operations from the West B Tyra platform in June. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 10 Jan 84 Sec III p 6] 6578

FUNDS FOR OFFSHORE RESEARCH PROJECTS--The Energy Ministry and the Education Ministry have an extra 15 million kroner for education and research in the offshore branch this year. Private firms, such as consultant firms, for example, can seek funding for projects before the end of the year. The basic appropriation which the Finance Committee approved in December is to be used for research projects, new apparatus, further training and the promotion of international contacts, such as guest lecturers and study trips for Danish researchers. The projects are being set in motion to prepare Danish researchers and Danish firms for the tasks involved in searching for oil and gas. According to the Energy Ministry, the appropriation should be seen in the context of the new permits to look for oil and gas in Danish underground areas. Both ministries are especially interested in proposals that involve cooperation between research and educational institutions and private firms. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 10 Jan 84 Sec III p 6] 6578

ZEALAND NATURAL GAS--Almost 5 months ahead of the date originally planned, natural gas will come to Zealand. The regional natural gas company, Zealand Natural Gas, will open the tap on Sunday, 6 May, at the company's administration building in Soro, which will be the first building in Zealand to be officially supplied with natural gas. After that the consumer circle will be expanded week by week. Under the original plan, Zealand--and Greater Copenhagen, which is a separate district--would be supplied with natural gas starting 1 October 1984, when the first Danish natural gas will be coming

in from the North Sea. However, Zealand Natural Gas is almost a half year ahead on its plant work and will supply customers with gas from the West German gas field in the Ruhr area, which already supplies the South Jutland region, starting in May. Zealand Natural Gas is almost through setting up the distribution network that will be taken into use in 1984 and which by the end of the year is expected to supply close to 4,000 customers. About 5,000 customers have already applied and it is estimated that there are around 25,000 potential customers in the 12 communities that will be supplied with gas by the company by the end of 1985. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 2 Jan 84 Sec III p 7] 6578

CSO: 3613/70

LEAKING OIL TANKS POLLUTING GROUND WATER

Copenhagen BERLINGSKE TIDENDE in Danish 6 Jan 84 p 1

[Article by Michael Rastrup Smith]

[Text] So far 500 round plastic oil tanks have been replaced because of leaks. Their construction is not strong enough. The Environmental Agency is now studying the extent of the problem after a number of houses in Søllerød and Frederikssund were found to have leaky tanks.

Hundreds of oil tanks of a special circular type have now turned out to have leaks. So far at least 500 tanks around the country have been replaced because of leaks.

"It was not until very recently that we became aware that many of the circular plastic tanks that have been buried in the last few years are not strong enough," said Erling Rordam, office chief in the Environmental Agency.

"The reason why we did not discover the extent of the problem until now is that the firms supplying the tanks have dealt with the problem directly with those involved up to now. However we have requested a complete list of the locations of the leaky tanks, so that we can study the extent of the problem."

It is believed that around 10,000 of these circular tanks have been produced in Denmark in recent years.

But the Environmental Agency has good reason to hope that only 700-800 tanks are defective.

The Technological Institute has studied one of the casting forms used in the production of the circular tanks. The institute has found out that the molding process makes the sides of the tank too thin. This can be one of the reasons for the many leaks, but a contributing factor is that the tanks are easily damaged when they are buried.

According to office chief Erling Rordam, one quickly discovers the problem when something is wrong with a circular tank. The leak can lead to the

furnace going out because water has penetrated the tank. Or the tank becomes empty very quickly. This has been the case in Naerum and Frederikssund, for example, where a number of round tanks have had to be replaced within the past week. One of them suddenly lost 2,500 liters of oil.

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CSO: 3613/72

POPULATION NEAR THULE HAS HIGH MERCURY LEVEL IN BLOOD

Copenhagen BERLINGSKE TIDENDE in Danish 5 Jan 84 p 7

[Text] The people living in the vicinity of Thule in northwestern Greenland have close to the world's highest mercury level in their blood and in some cases the concentration is at a level bordering on what is considered dangerous to one's health in other parts of the world.

This appears from a survey that was conducted last summer with the support of the Commission for Scientific Studies in Greenland, the results of which will now lead to a number of other studies.

But the high content of mercury, which is thought to result from the special Greenland diet with its emphasis on seal meat and fish, has not given rise to advice to make immediate changes in the diet in Greenland trapper communities, a statement from the Ministry for Greenland Affairs stressed.

"It has been known for a number of years that the mercury content in the blood of the Greenland trapper population is high, but the concentrations found in the Thule district are considerably higher than those found in other parts of Greenland and there are purely professional reasons for studying the problem in greater detail," said Doctor Peter Jacobsen of the Board of Health.

But Peter Jacobsen pointed out that the findings were due to natural causes and that correspondingly high levels of mercury are found elsewhere in the world among populations living primarily off of fish or ocean mammals. In addition, there have never been any reported cases of illness due to mercury poisoning, which is ascribed among other things to the high selenium content of the Greenland diet, a substance shown in animal experiments to provide some protection against mercury poisoning.

Mercury affects the central nervous system and can lead to paralysis or death, in the worst cases.

Against the background of experiences from extreme cases of mercury pollution, for example in Japan, the international basis for the appearance of

mercury poisoning symptoms among the most sensitive individuals is assumed to have a lower limit of 200-500 micrograms per liter. The highest mercury concentrations found in the Thule district were around 250-300 micrograms, according to Peter Jacobsen, but there were only a few cases that were this high.

The statement from the Ministry for Greenland Affairs says that the matter should be further clarified with more studies and special awareness on the part of health workers in the area where a large part of the population lives off of ocean mammals.

Therefore doctors in the trapper districts have been asked to be alert to early signs of adverse health effects from mercury and at the same time it has been decided to expand an ongoing study of mercury in the umbilical cord blood from neonates and in blood tests from their mothers.

In addition, Greenland's Fishery Study has plans to conduct a large research program on the ocean environment and on Greenland's ocean mammals--with special emphasis on the problem of heavy metals such as mercury and selenium.

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